

ONTARIO SCHOOL BOOKKEEPING




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ONTARIO SCHOOL BOOKKEEPING

A PRACTICAL COURSE

IN

BOOKKEEPING AND BUSINESS PAPERS

FOR

HIGH AND CONTINUATION SCHOOLS AND FIFTH CLASSES IN
PUBLIC SCHOOLS

Authorized by the Minister of Education for Ontario

THE EDUCATIONAL BOOK CO., LIMITED

TORONTO

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PREFACE

THROUGHOUT this work, the useless and unmeaning "To" and "By" have been entirely omitted.

The meaning and application of the terms *debtor* and *creditor* can be best presented to the learner by teaching accounts, first separately, and afterwards together; first through a *partial* journal entry and afterwards through a *complete* journal entry.

In the Ledger the explanation space is left blank, unless some useful information is obtainable therefrom, as, for example, from, "Goods at 30 days," in a personal account. Statements of Losses and Gains and of Assets and Liabilities are made for the proprietor from the trial balance and inventories, before the Ledger is closed; these are made as separate statements, in accordance with practical usage, little stress being laid on the columnar form of statement. The Ledger is closed, only for the purpose of separating the losses and gains of one business period from those of the succeeding one; for this purpose, only the loss and gain accounts and the proprietor's account are closed, at the time of closing the books; all the asset and liability accounts are left unclosed, unless it be Cash Account and Bank Account, which are necessarily balanced frequently, and are usually not kept in the Ledger.

The attention is confined for some sets to the Journal as the only posting medium, the Cash Book and the Bill Book being introduced, first as auxiliary books, and later as principal books. As business offices differ very much in the forms and ruling of such books, only some of the most general forms have been illustrated, but sufficient to enable the young bookkeeper to adapt himself to the various forms he may meet with in actual business.

The *proprietor*, whether he be a single proprietor or a partner, is distinguished from his *business*, and is considered much the same as an outside person, being debited when he *receives* from his business on account, and credited when he *gives* to it. The business is thought of, as buying and selling, receiving and giving. The proprietor is a debtor to, or a creditor of, his business as much as any other person; when the business becomes insolvent, he is a debtor, and owes to the business, from his private means, the amount of the Net Insolvency; when the business is solvent, he is a creditor, and the business owes him the amount of his Net Capital.

Bookkeeping, as a *science*, is unchangeable—the principles are fixed; but bookkeeping, as an *art*, is constantly undergoing changes. The teacher should endeavour to impress the principles thoroughly on the mind of the learner; the learner will then himself become the inventor of new forms to suit special circumstances.

There are various ways of approaching the subject of Bookkeeping, some of which should be avoided. The antiquated rule, "Debit what is received and credit what is given," cannot be applied successfully to all business transactions; the efforts to make a forced application of this rule have led to much straining of the imagination, noticeably in such a transaction as, "Bought from T. Brown on account, Mdse. \$200." This rule requires that *Interest* and *Rent* be called *use*, and that *Wages* and *Commission* be called *services*. On the next two pages, reasons will be given for discarding its general application as too mechanical and far-fetched.

Division of Accounts. Accounts may be divided as follows: (1) Personal Asset and Liability Accounts, as, for example, Jno. Simpson, Jno. Simpson & Co., The Dominion Bank; (2) Impersonal Asset and Liability Accounts, as, for example, Cash, Bills Receivable, Bills Payable; and (3) Loss and Gain Accounts (all Impersonal), as, for example, Merchandise, Expense, Real Estate, Interest, Discount.

Rules for Journalizing. Journalizing may be stated in three rules to suit the three classes of accounts—(1) For Personal Asset and Liability Accounts: Make a person debtor when he receives value on account, and creditor when he gives value on account; (2) For Impersonal Asset and Liability Accounts: Make the account (say Cash) debtor for amounts received by our business, and creditor for amounts given by our business; (3) For Loss and Gain Accounts: Make the account (say Mdse.) debtor for costs and creditor for proceeds.

Reasons.—Consider the first rule, which applies to *persons* alone. The account “John Simpson” certainly does not mean that we *receive* and *give* John Simpson; neither is it correct to say we receive and give his name; and it is forcing the question to say that the Dr. side shows John Simpson’s oral promises received, and the Cr. side John Simpson’s oral promises given back, since John Simpson may have given no oral promises at all, which would certainly be the case when we buy goods from him on account. The meaning of the account is simply, that John Simpson has received, on account, the amounts on the Dr. side, and is our debtor; and that he has given, on account, the amounts on the Cr. side, and is our creditor. It is in this class of accounts only, that the terms *debtor* and *creditor* have their true meaning.

Consider the second rule, which applies to *things* alone, and only to those things which belong to asset and liability accounts, such as Cash, Bills Receivable and Bills Payable accounts. In this class of accounts the terms *debtor* and *creditor* have not their true meaning; in Cash Account, for example, the Dr. side shows the amount of cash received by our business, and the Cr. side the amount given by our business; it does not show that anyone or anything, is a debtor to, or a creditor of, our business. Here alone is where the old rule “debit what is received and credit what is given” has its true significance.

Consider the third rule, which applies to *things, services, and uses*, but only to those connected directly with loss and gain accounts, such as Merchandise and Real Estate accounts, Wages and Commission accounts, Rent and Interest accounts. Now, the term *Bills Receivable*, as an Asset and Liability account, and as a ledger heading, really means *values of Bills Receivable*, and these values are received and given; but the term *Merchandise*, as a Loss and Gain account, and as a ledger heading, means *price of Merchandise*, the Dr. side showing the *cost price of Merchandise* and the Cr. side showing the *proceeds price of Merchandise*. And so with Real Estate, the Dr. side shows the *cost price of Real Estate*, and the Cr. side shows the *proceeds price of Real Estate*. Again, instead of having one account for all *services* called “*Services*,” and one for all *uses* called “*Uses*,” which, as before, would mean *price of Services* and *price of Uses*, we have, not *Services of Workmen, Services of Buyer, Use of Real Estate, Use of Money*, as we would expect, but *price of Services of Workmen, price of Services of Buyer, price of Use of Real Estate, price of Use of Money*, crystallized into the terms *Wages, Commission, Rent, Interest*; so that *Wages* and *Commission* are not *services*, but the *price of services*; and *Rent* and *Interest* are not *uses*, but the *price of uses*. The term *Merchandise*, as a ledger heading, stands for *price of Merchandise*, but the term *Wages* really means *price of services*.

Service and Use Accounts. From the foregoing and the following considerations, it will be seen that we cannot say that Wages, Commission, Rent, and Interest are debtor when they are

received, and creditor when they are given. Consider the Dr. side again. Merchandise Account is debtor for the *cost price of Merchandise*. Of course the merchandise is received by our business, but the Merchandise Account, as a loss and gain account, is not intended to show *value of merchandise received*, nor even the *value of merchandise received* (for we are not dealing with values but with prices). It shows the *cost price of merchandise*, and this cost price is not received by our business. *Value* has to do with asset and liability accounts, *price* has to do with loss and gain accounts. The truth of this statement will be more evident if we consider Wages Account; the Dr. side shows the *cost of wages*, that is, the *cost price of services*; now, it is true that just as the merchandise is received, so the services are received, but just as the *cost price of merchandise* is not received by our business, neither is the *cost price of services* received by our business; so that the Dr. side of Wages Account does not show the *cost price of services* received, that is, does not show *wages* received.

The term *Interest* does not mean *use*, either as a bookkeeping term, or in general commercial usage; Interest is the *price of use*, just as Commission is the *price of services*. If a person loans me \$200 at 6% per annum, I must pay him \$12 extra at the end of the year; the 6% is the *price rate of use*, and the \$12 is the *full price of use*. The price of the use may vary, or the lender may let me have it, as a favour, for \$1 instead of \$12, in which case \$1 is the interest. Should the lender let me have the use of the \$200 for nothing, there is still the same *use*, but there is no *price of use*—no *interest*. The same may be said of Commission Account. Here the Dr. side shows *costs*, and the Cr. side shows *proceeds*. From this the pupil learns directly, and from the beginning, that all such accounts are loss and gain accounts. He will grasp the idea of *cost* and *proceeds* in connection with Wages, Commission, Interest, Rent, and all accounts connected with services and uses, more readily than any far-fetched application of the terms *receive* and *give*. Thus the third rule, besides being rational, teaches from the beginning the true nature of the account, as a loss and gain account.

Summary of Method of Procedure.—(a) Make three classes of accounts: (1) Personal Asset and Liability Accounts, (2) Impersonal Asset and Liability Accounts, (3) Loss and Gain Accounts. (b) Treat each class separately in the order given. (c) Treat each account separately at first, by means of a *partial* journal entry, from which the account is posted to the Ledger. (d) Treat the accounts in conjunction at a later stage, by means of a *complete* journal entry.

By following the plan explained above, the pupil will learn complete journalizing by a process of reasoning, and not by a mechanical and uncertain application of the terms *receive* and *give*. He will be able to give to each account its true meaning and will understand its relation in the Ledger.

BOOKKEEPING

BUSINESS PAPERS.

The Pupil should write out the Business Papers indicated in the various Sets and Exercises. By so doing he will not only have a thorough acquaintance with such papers, but he will have a more thorough knowledge of Bookkeeping. Those Business Papers of frequent occurrence in the sets, such as promissory notes, cheques, etc., may, however, be omitted as soon as they have been thoroughly mastered, and the attention may then be concentrated on the Bookkeeping side alone.

The Pupil should write all acceptances of drafts, and all endorsements of orders, cheques, notes, and drafts, both those which would be written by himself and those which would be written by other persons. He should not, however, write those endorsements and acceptances by other persons, which would never be seen by him, such as the acceptance of the draft on April 27 in Set VI. Drafts should be accepted, and orders, cheques, and sight drafts should be endorsed, at the time of writing the papers, since they are mentioned for this purpose but once in the Set; notes and time drafts should be endorsed at the time of payment or transfer. The Pupil will not forget to have his own cheques properly endorsed, since they are returned to him at the end of each month by the bank. The use of business papers suggested above will make the work sufficiently like actual business for general interest and good progress in Bookkeeping.

USE OF CALENDARS.

The sets and exercises are dated according to the calendar of 1912. As, however, the Department of Education requires each set and each exercise to be dated according to the calendar of the year in which it is being worked out in the classes, the calendars of the years from 1909 to 1916 inclusive have been provided on pages 102 to 104. The dates of the Sundays and the statutory holidays are indicated in darker type in each of the calendars. As the dates of these days vary from year to year, the pupil must consult the calendar of the year in which he is working, to make certain that the transactions he records take place on business days. The date of maturity of a note or an acceptance falling due on a Sunday or a statutory holiday is, of course, the next business day.

STATUTORY HOLIDAYS.

1. The following are Statutory Holidays for all of the provinces: New Year's Day, Good Friday, Easter Monday, Victoria Day, Dominion Day, Labour Day, Thanksgiving Day, Christmas Day, and any day proclaimed a holiday by the Governor-General or a Lieutenant-Governor. If New Year's Day, Christmas Day, Victoria Day, or Dominion Day fall on a Sunday, then the next day is to be observed instead.

2. The King's Birthday (Nov. 9) merges into Victoria Day (May 24).

3. Newfoundland observes all of (1) but Labour Day.

4. Alberta, Saskatchewan, Yukon, and the Territories add Ash Wednesday and Arbor Day to (1).

5. Quebec adds: The Epiphany, Ash Wednesday, the Ascension, All Saints' Day and Conception Day to (1).

6. Civic Holidays are local, not bank or general holidays.

PAGES REQUIRED FOR THE SETS.

The following are, approximately, the number of pages of a blank Book of about 28 lines to the page, which will be required for the various Sets. If the Pupil uses the second method of entering the Day Book explanations in connection with the Journal, as shown on page 30, March 25 to 29, then he will require only about two-thirds of the number of pages for the Journal, indicated below. He will himself determine, from his Work Book, the pages he will need for Inventories, Trial Balances, and Financial Statements. If desired, the Bill Book may be introduced in Set IV. or Set V. (See Section 85.) To suit local conditions, the Cash, Purchase, and Sales Journals may also be introduced at an earlier stage than that indicated in the text. (See Sections 96, 97, 107, 108, 109 and 110.)

SETS	JOURNAL	ORDER- Book.	SALES JOURNAL.	PURCHASE JOURNAL	CASH Book.	Bill Book.		LEDGER.
						Rec.	Pay.	
I.	3 pages							3 pages
II.	3 "							15 "
III.	5 "				2 hr. pp.			1 "
IV.	5 "				2 " "	5 lines	6 lines	3 "
V.	6 "				2 " "	6 "	4 "	4 "
VI.	7 "				12 pages	10 "	7 "	8 "
VII.	7 "				1 "	1 "	1 "	1 "
VIII.	7 "				2 "	5 "	4 "	6 "
IX.	5 "		2	1	2 "	7 "	6 "	6 "
X.	3 "	1 page			1 "	3 "	3 "	1 "
XI.	4 "	6 "		1	2 "	5 "	5 "	5 "

DOUBLE ENTRY BOOKKEEPING.

1. **A Business Transaction** is an exchange of values. This exchange may be a *present* exchange, as when goods are sold for cash; or it may be a *deferred* exchange, as when goods are sold on account, that is, to be paid for at a future time.
2. **Bookkeeping** is the recording of business transactions in a systematic manner in suitable books. The main feature of this record is the Ledger Accounts; so that bookkeeping is sometimes called *accounting*.
3. **A Ledger Account** is a number of items of the same kind collected under a heading. Each account has two distinct parts separated by a vertical line; the left-hand side is called the Debtor (Dr.) side, and the right-hand side is called the Creditor (Cr.) side.

(a) The following is the form of a Ledger Account in outline :

DEBTOR		JOHN SIMPSON	CREDITOR	
<i>He received on account</i>	\$ 80		<i>He gave on account</i>	\$ 75
.. .. .	110 50		40 25
-	-		-	-

(b) The following is the usual form of a Ledger Account :

DR.		JOHN SIMPSON	CR.	
<i>To</i>	\$ 80		<i>By</i>	-
<i>Jan.</i>	110 50		<i>Jan.</i>	14
.. .. .	-		-

4. Debtor and Creditor, Debit and Credit.

We must remember that John Simpson's account, mentioned in Section 3, is an account in *our* own books, not in *his* books. John Simpson is our *debtor* (he owes us) for the amounts on the left-hand half of his account; he is our *creditor* (we owe him) for the amounts on the right-hand half of his account. He is our *debtor* when he *receives* any value from our business *on account*, that is, without giving any value in return at the time; he is our *creditor* when he gives any value to our business *on account*, that is, without receiving any value in return at the time.

The terms *debit* and *credit* indicate the effect of a business transaction on the financial relation between a *debtor* and a *creditor*, and therefore the effect on the *debtor* and *creditor* sides of an account. Apply the terms *debtor* and *creditor* to accounts or to the sides of an account; for example, "John Simpson, *Dr.*," "the *creditor* side of John Simpson's account"; apply the terms *debit* and *credit* to the items or separate entries; for example, "that is a *debit* entry," "*credit* John Simpson's account with \$75." *Dr.* is an abbreviation for *debtor* not for *debit*, and so with *Cr.*

BOOKKEEPING

5. **Journalizing** is the determining and indicating of the debit and the credit items of a transaction for their respective ledger accounts. The book in which this is done is called the *Journal*.

6. Example of Journal:

J. J.			Dr. column		Cr. column		
			\$	c.	\$	c.	
Debtor line	Creditor line	Debit line					
TORONTO, January 1, 1900.							
John Simpson Dr.			80				
Mdse. Cr.					80		
Cash Dr.			75				
John Simpson Cr.					75		

7. **Posting** is transferring the debit and credit items from the Journal to their respective accounts in the Ledger. The *Ledger* is the book of accounts.

8. Assets and Liabilities.

An Asset is anything belonging to the business, which has a money value. A Liability is any debt owing by the business.

9. Losses and Gains.

A Loss is an excess of cost over proceeds. A Gain is an excess of proceeds over cost.

10. Classification of Accounts.

All accounts may be divided into three classes, namely, Personal Asset and Liability Accounts, Impersonal Asset and Liability Accounts, and Loss and Gain Accounts (all impersonal). The first two classes show either values belonging to the business, or debts owing by the business; the last class shows either losses or gains in connection with the business.

- I. Personal Asset and Liability Accounts: as John Simpson, John Simpson & Co., The Imperial Bank, The Royal Fire Insurance Co., etc.
- II. Impersonal Asset and Liability Accounts: as Cash, Bills Receivable, Bills Payable, etc.
- III. Loss and Gain Accounts: as Merchandise, Expense, Real Estate, Interest, Discount, Commission, etc.

The first two classes are sometimes called Real Accounts, and the third class is sometimes called Representative Accounts.

PERSONAL ASSET AND LIABILITY ACCOUNTS.

11. Journalizing—Rule I.

In Personal Asset and Liability Accounts, make the person *debtor* for all the amounts which he *receives* from our business *on account*, and make him *creditor* for all the amounts which he *gives* to our business *on account*.

12. Instructions to the Pupil :

- (a) Think of the business as your own, and of yourself as the proprietor, in the exercises which follow. When another person is mentioned as proprietor, you will be the bookkeeper, and should still think and speak of the business as *ours*.
- (b) Always distinguish between the business and the proprietor of the business. For the purposes of bookkeeping, consider that it is the business that buys and sells, and otherwise transacts business. The proprietor himself *gives* to his business on account when he *invests*, and is credited for the amount he so gives; he *receives* from his business on account when he *withdraws* for private use, and is debited for the amount he so receives.

13 (a). Business Transactions for John Simpson's Account.

Journalize and post John Simpson's account from the following transactions. Use the illustrations in Section 13 (b), (c), (d) as guides. Leave room enough in both Journal and Ledger to continue with the February transactions of Section 14 (a).

- Toronto, January 2, 19— John Simpson received on account, \$80.
5. John Simpson gave on account, \$75.
10. John Simpson received on account, cash \$110.50.
15. John Simpson gave on account, cash \$40.25.
17. John Simpson received on account, goods \$70.50.
22. John Simpson gave on account, goods \$90.
24. Sold John Simpson on account, goods \$25.
25. Bought from John Simpson on account, goods \$45.
29. John Simpson paid on account, cash \$10.75.
30. Sold John Simpson for cash, goods \$20.

(b) Journal for John Simpson's Account only.

TORONTO, January 2, 19—

John Simpson Dr.				
John Simpson Cr.	10			75
John Simpson Dr.	15		110.50	
John Simpson Cr.	17			40.25
John Simpson Dr.	22		50	
John Simpson Cr.	24			90
John Simpson Dr.	25			
John Simpson Cr.	29			10.75
John Simpson Cr.				20

Note. Why no entry for John Simpson's account on Jan. 30? Because the transaction was not on account.

(c) Journal with the ledger pages in, after posting.

TORONTO, January 2, 19—.

Journal Page									
10	John Simpson Dr.					80			
10	John Simpson Cr. -							75	
10	John Simpson Dr.					110	50		
10	John Simpson Cr. -							40	25
10	John Simpson Dr.					70	50		
10	John Simpson Cr. -							90	
10	John Simpson Dr.								
10	John Simpson Cr.							45	
10	John Simpson Cr. -							10	75

(d) Ledger—John Simpson's Account posted from the Journal.

Dr.	(he received on acc.)	JOHN SIMPSON.				(he gave on acc.)	CR.			
19		Jour.	Page			19	Jour.	Page		
Jan. 2		10	80			Jan. 7	10	75		
10	25	10	110	50		15	10	40	25	
17	24	10	70	50		22	10	90		
24		10	25			25	10	45		
						26	10	10	75	

(e) Remarks :

1. Experienced bookkeepers recommend the following order in making entries in Ledger Accounts : (1) the amount, (2) the date, (3) the Journal page. Then enter the Ledger page of the account in the Journal, opposite the item posted, first noticing the amount in the Journal again, to make sure that the correct amount has been posted.
2. In John Simpson's account we see that the debtor side is greater than the creditor side by \$25, therefore he is a debtor for that amount, and the balance is an asset.
3. Make the small pin-head totals with a hard lead pencil.

14 (a) Business Transactions John Simpson's Account (Continued)

Journalize John Simpson's account ; continue the posting under the January posting in Section 13 (d) ; balance and close the account as shown in Section 14 (b).

Toronto, February 1, 19—. Sold John Simpson on account, goods \$200.

6. Received from John Simpson on account, cash \$100.
14. Bought from John Simpson on account, goods \$175.
20. Paid John Simpson on account, cash \$25.
26. Sold John Simpson on account, goods \$80.25.
28. John Simpson paid on account, cash \$30.50.

(b) Ledger Account closed and balance brought down.

DR.		JOHN SIMPSON.		CR.	
Jan.					
	10		80		
	17		10	10	75
	24		10	10	90
			10	10	10
Feb.	1		10	10	75
			10	100	
			10	175	
			10	50	
			11	75	
				591	
Mar.			11	75	

(c) Remarks :

1. John Simpson has received on account \$591.25, and has given on account \$566.50; therefore he owes \$24.75. We balance his account by placing the \$24.75 on the smaller side in red ink, indicating the red ink by an asterisk (*), when using a pencil or black ink. We then bring this balance down below the ruling in black ink on the debtor side, for the next month's business. The red ink indicates that the balance is on its wrong side, being placed there simply to balance the account; the black ink indicates that the balance is now on its right side, since it is a debtor balance.
2. In the page column in Section 14 (b), "10" is the Journal page from which the item came; "11" is a Ledger page, and shows in the red ink where the balance was transferred to, and in the black ink where the balance came from. This latter paging is used when the balance has to be transferred to a new page.
3. Personal Accounts should be balanced and ruled up, only when settled, or when the page is filled and the account has to be transferred to a new page. This is true of all Asset and Liability accounts, excepting Cash and Bank accounts, which are balanced at least monthly as a check against mistakes in handling the cash.

EXERCISES ON PERSONAL ACCOUNTS.

Exercise No. 1.

Journalize, and post M. Peters' account, leaving room both in the Journal and the Ledger account to continue with Exercise No. 2. On March 30, is M. Peters a debtor or a creditor? Is the balance an asset or a liability?

Ottawa, March 1, 19—. Sold M. Peters on account, Merchandise (goods) \$230.

5. Bought from M. Peters on account, Merchandise \$150.

9. M. Peters paid on account, cash \$70.

13. Bought from M. Peters on account, Merchandise (Mdse.) \$130.

16. Paid M. Peters on account, cash \$50.

18. Sold M. Peters on account, Mdse. \$100.
20. M. Peters paid on account, cash \$20.
25. Bought from M. Peters on account, Mdse. \$60.
30. Sold M. Peters on account, Mdse. \$90.

Exercise No. 2.

Journalize, post, balance, and close M. Peters' account, making it a continuation of his account in Ex. 1. Is he a debtor or a creditor? Is the balance an asset or a liability? Why?

Ottawa, April 1, 19—. Bought from M. Peters on account, Mdse. \$280.

3. Sold M. Peters on account, Mdse. \$150.
6. Paid M. Peters on account, cash \$30.
11. Sold M. Peters on account, Mdse. \$270.
15. Received from M. Peters on account, cash \$50.
20. Bought from M. Peters on account, Mdse. \$70.
- * 23. Sold M. Peters for cash, Mdse. \$80.25.
26. M. Peters paid on account, cash \$100.
29. Bought from M. Peters on account, Mdse. \$175.
30. Bought from M. Peters for cash, Mdse. \$200.

15 (a). The Proprietor's Account.

This account is treated in the same way as any other personal account, until the close of the business period. The Proprietor is made debtor for what he receives from his business on account (called withdrawals for private use), and he is made creditor for what he gives to his business on account (called investments).

The only difference between the proprietor's account and that of an outside person is, that the *net gain* at the close of the business term is placed on the creditor side of his account; or, if there be a *net loss*, it is placed on the debtor side of his account. There will then be a debtor balance or a creditor balance just as in any other personal account; if the creditor side be the greater we name the balance "*Net Capital*," or if the debtor side be the greater, we name the balance "*Net Insolvency*."

The Proprietor may have two accounts—Capital A/c and Private A/c. For the present we shall use the first one only, as follows, "Proprietor (Capital A/c)."

The Pupil will think of himself as the *bookkeeper* when another person is mentioned as *Proprietor*.

Exercise No. 3.

Journalize, post, enter the net gain, balance, and close the Proprietor's Account. Compare your Ledger account with the example in Section 15 (b).

London, May 1, 19—. The Proprietor gave to the business on account (invested), cash \$1000.

6. The Proprietor received from the business on account (withdrew), cash \$10.75.
10. The Proprietor gave to the business on account (invested), Mdse. \$1500.25.
15. The Proprietor withdrew from the business on account, cash \$30.
27. The Proprietor took for private use, Mdse. \$20.50.
30. The Proprietor invested in the business, cash \$500.
- Net Gain on May 31, \$75.50.

15 (b). Ledger—Proprietor's Account.

Dr.	(he received or withdrew)	PROPRIETOR (Capital A/c).	(he gave or credited)	Cr.
<i>To</i>			<i>To</i>	
May 1		12 10 75	May 1	
17		12 30	10	12 1000
20		12 20 50	30	12 1500 25
		3014	31 Net gain	12 500
		3075 75		12 75 50
			June 1 Net Capital	13 3014 50

Exercise No. 4.

Journalize, post, enter the net gain, balance, and close the Proprietor's account—"G. Grand, Capital A/c." Is he a debtor or a creditor of the business? Is the balance an asset or a liability of the business? What is the balance as regards himself?

St. Thomas, June 1, 19 — G. Grand invested, Mdse. \$2000.

6. G. Grand withdrew from the business, cash \$50.

10. G. Grand invested in the business, cash \$1500.

18. G. Grand took for private use, Mdse. \$60.50.

24. G. Grand invested in the business, cash \$500.

29. G. Grand withdrew from the business, cash \$30.

Net gain on June 29, \$120.60.

- 16.** The terms *Debtor* and *Creditor* have their true meaning, only in the first class of accounts—Personal Asset and Liability accounts. The person whose name is at the head of the account is a debtor—he owes to our business the amounts on the debtor side of his account; and he is a creditor—he is owed by our business the amounts on the creditor side.

In the second and third classes of accounts mentioned in Section 10, the terms *Debtor* and *Creditor* do not have this ordinary meaning. In the second class—Impersonal Asset and Liability accounts, the debtor side shows the amounts of Cash, Bills Receivable, Bills Payable, etc., received by our business; and the creditor side shows the amounts of Cash, Bills Receivable, Bills Payable, etc., given by our business. In the third class—Loss and Gain accounts, the debtor side shows the cost to our business of Merchandise, Expense, Real Estate, Interest, Discount, Commission, etc.; and the creditor side shows the proceeds for our business of Merchandise, Expense, etc.

IMPERSONAL ASSET AND LIABILITY ACCOUNTS.

17. Instructions to the Pupil:

- We shall now deal with the second class of accounts—Impersonal Asset and Liability accounts—Cash, Bills Receivable, Bills Payable, etc.
- Keep your mind fixed on the account under consideration, and think whether the business received, or gave the item mentioned.

- (c) When any of the accounts of Class II. or Class III. are mentioned in a transaction, you must make an entry for such, whether the transaction be *on account* or *not*. For an account of Class I. there is an entry for the person, only when the transaction is *on account*.

18. Journalizing Rule II.

Make Impersonal Asset and Liability accounts debtor for values received by the business, and creditor for values given by the business.

19. Cash Account.

Make this account debtor for all cash received by the business, and creditor for all cash given by the business.

The term Cash includes current money, cheques, bank drafts, sight drafts, post office money orders, postal notes, and express money orders.

EXERCISES ON CASH ACCOUNT.

Exercise No. 5.

Journalize, post, balance, and close Cash Account, leaving room in both Journal and Ledger to continue with Ex. No. 6.

Winnipeg, July 2, 19—. Received cash from the Proprietor as an investment, \$300.

4. Gave cash for Office Desk, \$50.
11. Paid cash for Mdse., \$200.25.
18. Received cash for Mdse., \$100.
30. Paid cash to T. Dunn on account, \$60.

20. Journal—for Cash Account only.

WINNIPEG, July 2, 1901.

21. Ledger for Cash Account.

Dr.		CASH.		Cr.	
July	18	300	100	14	50
			30	14	200
				14	60
					3
					25
		400			400
Aug.	1	Balance	80		75

22. Closing Cash Account.

The Debtor side can never be less than the Creditor side. Why? Take the difference between the two sides; this will give the balance of cash on hand. Place the balance on the smaller side in red ink, rule and foot the columns, and bring down the balance on the opposite side in black ink. This debtor balance is an asset.

NOTE. If Cash Account be made to include Bank Account, then the creditor side of Cash Account may be the greater owing to an overdraft on the bank.

Exercise No. 6.

Journalize, post, balance, and close Cash Account, making it a continuation of Cash Account in Ex. No. 5. Why is the balance always an asset?

Winnipeg, August 1, 19—. Received cash from P. Mark on account, \$70.

8. Proprietor withdrew for private use, cash \$20.
14. Sold M. Spence on account, Mdse. \$100.
20. Bought from T. Dunn for cash, Mdse. \$80.50.
24. Sold R. Gray for cash, Mdse. \$150.70.
28. Paid cash for August rent, \$30.
30. Gave cash to the Children's Hospital, \$10.

23. Ledger for Cash Account—closed twice.

Dr. (we received)				CASH.				Cr. (we gave)			
19				19							
July	.	11	300	July	1	14	50				
	18	11	100		11	14					
			500		30	14	60				
					31		80				
			600				400				
Aug.	1	Balance	89	Aug.	8	15					
	1		50		20	15	80.50				
	24		150		28	15	30				
					30	15	10				
			310			15	160	95			
Sept.		Balance	169				310	45			

Exercise No. 7.

Journalize, post, balance, and close Cash Account, leaving room to continue with Ex. No. 8. What amount of cash was received? What amount of cash was paid out? What is the balance on hand?

Kingston, September 3, 19—. Received cash from Pupil as an investment, \$500.

9. Gave cash for Mdse., \$200.50.
17. Received cash from D. Smith on account, \$300.
23. Gave cash to R. White on account, \$100.
27. Gave cash to B. Saul for Mdse., \$50.25.
30. Received cash from A. Dame for Mdse., \$300.50.

Exercise No. 8.

Journalize, post, balance, and close Cash Account, making it a continuation of Cash Account in Exercise No. 7. What is the balance called?

Kingston, October 1, 19—. Pupil invested extra cash \$600.50.

- .8. Gave R. Moore on account, cash \$100.
- .15. Bought Mdse. for cash, \$300.
- .22. Sold Mdse. for cash, \$200.50.
- .26. J. Mason paid on account, cash \$100.
- .28. Paid R. Potter on account, cash \$200.
- .31. Paid clerk's salary in cash, \$50.

24. Bills Receivable.

Other persons' notes and acceptances are called Bills Receivable. The following is K. Spiers' promissory note, in which he promises to pay the amount specified:

<p>\$200 ⁵⁰/₁₀₀</p> <p><i>Ten days</i></p> <p><i>to the order of Proprietor</i></p> <p><i>at The Imperial Bank</i></p> <p><i>Two Hundred</i></p> <p><i>for Value Received.</i></p>	<p style="text-align: right;"><i>London, November 1, 19—</i></p> <p style="text-align: center;"><i>after date I promise to pay</i></p> <p style="text-align: right;"><i>$\frac{60}{100}$ Dollars</i></p> <p style="text-align: right;"><i>K. Spiers.</i></p>
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Instead of giving the foregoing note, K. Spiers might have given the following acceptance or accepted draft

<p>\$200 ⁵⁰/₁₀₀</p> <p><i>Ten days</i></p> <p><i>to the order of myself</i></p> <p><i>Two Hundred</i></p> <p><i>for Value Received, and charge to the account of</i></p> <p><i>To K. Spiers,</i></p> <p style="text-align: center;"><i>London, Ont.</i></p>	<p style="text-align: right;"><i>London, November 1, 19—</i></p> <p style="text-align: center;"><i>after date, pay</i></p> <p style="text-align: right;"><i>$\frac{60}{100}$ Dollars</i></p> <p style="text-align: right;"><i>Proprietor.</i></p>
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The Proprietor writes the draft and addresses it to K. Spiers, asking him to pay the amount specified; K. Spiers agrees to do so, by writing "accepted" and his name across the face of the draft. It is better also to write the date of acceptance and a place of payment, across the face of the draft.

25. Bills Receivable Account.

Make this account debtor for other persons' notes and acceptances received by our business, and creditor for other persons' notes and acceptances given by our business.

We receive them on account or for something we sell; and we give them back, when they are paid, or otherwise disposed of.

The first entry in this account is made on the debtor side, and the difference (if any) between the two sides must always be a debtor balance, and therefore an asset. This balance is the amount of other persons' notes and acceptances on hand.

EXERCISES ON BILLS RECEIVABLE ACCOUNT.

Exercise No. 9.

Journalize, and post Bills Receivable Account, leaving room to continue with Ex. No. 10. What amount of other persons' notes was received? What amount was given back? What balance is still on hand? Is this balance an asset or a liability?

Stratford, November 1, 19—. Received K. Spiers' note, \$200.60.

6. Received S. Parks' note, \$300.

14. Gave back K. Spiers' note, \$200.60.

26. Received B. Clark's note, \$400.

30. Gave back S. Parks' note, \$300.

26. Ledger for Bills Receivable Account.

DR.		BILLS RECEIVABLE.		CR.	
	<i>(as received)</i>				<i>(as given back)</i>
Nov.				Nov.	
		17	200.60		17
		17	300		17
		17	400		
			900		

Exercise No. 10.

Journalize, post, balance, and close Bills Receivable Account, making it a continuation of the account in Ex. No. 9. Close in the same manner as illustrated in Sec. 14 (b). What is the balance called?

Stratford, December 2, 19—. Received from N. Shore on account his note for \$250.50.

10. Sold K. Spiers on his acceptance, Mdse. \$275.

15. N. Shore paid his note of Dec. 2 in cash, \$250.50. (Gave it back to him.)

21. Sold S. Parks on his note, Mdse. \$150.

24. B. Clark paid his note of Nov. 26 in cash, \$400.

28. Received from D. Hart on account, his acceptance for \$100.

31. K. Spiers paid his acceptance of Dec. 10 in cash, \$275.

Exercise No. 11.

Write out the notes and acceptances on Jan. 4, 8 and 20. Journalize, and post Bills Receivable Account, leaving room to continue with Ex. No. 12. Find the balance on hand.

St. Catharines, January 2, 19—. Received from the Proprietor as an investment, A. Dame's note \$200.75, and R. Smith's acceptance \$300.

4. Sold T. Marshall, Niagara Falls, on his note at 10 days, Mdse. \$230.25.
8. Received from B. White, Hamilton, on account, his acceptance at 30 days for \$160.
15. A. Dame paid his note due to-day, \$200.75. (Gave it back to him.)
17. Received cash for T. Marshall's note, \$230.25.
20. Sold C. Hurst, Toronto, on his acceptance at 60 days, Mdse. \$150.60.
31. R. Smith paid his acceptance for \$300.

Exercise No. 12.

Write out the notes and acceptances on Feb. 1, 5, 19, 23. Journalize, post, balance, and close Bills Receivable Account, making it a continuation of the account in Ex. No. 11. What is the balance called?

- St. Catharines, February 1, 19—. Sold M. Roberts, Grimsby, on his note at 10 days, Mdse. \$130.50.
5. Received from G. Teagle, Dundas, in full of his account, his acceptance at 20 days for \$270.20.
 10. B. White paid his acceptance of Jan. 8 in cash, \$160.
 12. Sold T. Marshall on account, Mdse. \$200. (Why no entry for Bills Receivable?)
 14. M. Roberts settled his note of Feb. 1 in cash, \$130.50.
 19. D. Foster, Hamilton, settled his account with his acceptance at 10 days for \$90.
 23. Sold R. Smith, Welland, on his note at 1 month, Mdse. \$70.50.
 28. G. Teagle paid his note of Feb. 5 in cash, \$270.20.

27. Bills Payable.

The Proprietor's own notes and acceptances are called Bills Payable. They are signed by him as Proprietor, but are payable by the business; if, however, the business cannot pay them, the law compels him to pay them out of any private means he may have. The following is the Proprietor's note, in which the business promises to pay the amount specified.

\$100.⁰⁰.

Woodstock, March 1, 19—

One month. after date I promise to pay
to H. Spiers or order
at The Imperial Bank
One Hundred ⁰⁰/₁₀₀ Dollars
for Value Received. Proprietor.

The expression "to K. Spiers or order" has the same meaning as "to the order of K. Spiers," and either may be used. The word *order* requires K. Spiers to endorse the paper, that is, write his name across the back, when he receives payment.

Instead of giving the foregoing note, the Proprietor might have given the following acceptance, in which the business agrees to pay the amount asked for by K. Spiers.

\$100. ⁰⁰ / ₁₀₀	Hamilton, March 1, 19—
One month	after date, pay
to myself	or order
One Hundred	$\frac{00}{100}$ Dollars
for Value Received, and charge to the account of	
To Proprietor.	K. Spiers.
Woodstock, Ont.	

28. Bills Payable Account.

Make this account debtor for all of our own notes and acceptances received back by our business, and creditor for all of our own notes and acceptances given by our business.

We give them on account or for something we buy; and we receive them back when they are paid or otherwise redeemed.

The first entry in this account is made on the creditor side, and the difference (if any) between the two sides must always be a creditor balance, and therefore a liability. This balance is the amount of our own notes and acceptances outstanding.

EXERCISES ON BILLS PAYABLE ACCOUNT.

Exercise No. 13.

Make a copy of the foregoing note and acceptance. Journalize, and post Bills Payable Account, leaving room to continue with Ex. No. 14. What amount of our notes was given out (issued)? What amount was received back (redeemed)? What amount is still outstanding or unpaid? Is this balance an asset or a liability?

Woodstock, March 1, 19—. Gave our note for \$100 to K. Spiers, Hamilton, on account.

4. Gave our note for \$200 to J. Robb for Mdse.
8. Bought Mdse. \$150 and gave our note in payment.
18. Received (back) our note of Mar. 4, \$200.
20. Gave our note for \$175 to B. Smith on account.
23. Paid our note of Mar. 8 in cash, \$150. (Received it back.)
27. Bought Mdse. \$225.50 on our note.
30. Paid our note of Mar. 20 in cash, \$175.

29. Ledger for Bills Payable Account.

DR.		(we received back)		BILLS PAYABLE.		(we gave)		CR.	
Mar.	18		19	200	Mar.		19	100	
	7		19	150		1	19	200	
	30		19	175		4	19	150	
						8	19	175	
						20	19	225	50
						25			

Exercise No. 14.

Write the notes and acceptances on April 1, 12 and 27. Journalize, post, balance, and close Bills Payable Account, making it a continuation of the account in Ex. No. 13. What is the balance called?

Woodstock, April 1, 19—. Bought from J. Robb, Brantford, on our note at 20 days, Mdse. \$125.50.

4. Paid our note of March 1 in cash, \$100.
12. Gave our acceptance at 15 days for \$200, to B. Smith, Ingersoll, on account.
18. Paid our note of Mar. 27 in cash, \$225.50.
24. Settled our note of April 1 in cash, \$125.50.
27. Bought from K. Spiers, Hamilton, on our acceptance at 10 days, Mdse. \$170.25.
30. Paid our acceptance of April 12 in cash, \$200.

Exercise No. 15.

Write the notes and acceptances on May 1, 7, 18, 28. Journalize, and post Bills Payable Account, leaving room to continue with Ex. No. 16. What is the balance?

Montreal, May 1, 19—. Pupil (Proprietor) has a note outstanding, dated April 11, at 30 days for \$110, favour of R. Proctor. The business assumes this note. (Bills Pay. Cr.)

7. Accepted draft drawn by B. Preston, Quebec, at 10 days for \$80.
14. Paid note favour of R. Proctor in cash, \$110.
18. Bought from N. Prior, Ottawa, on my acceptance at 10 days, Mdse. \$120.50.
20. Paid my acceptance of May 7 in cash, \$80.
28. Gave P. Spence on account my note at 1 month for \$30.
31. Settled my acceptance of May 18 in cash, \$120.50.

Exercise No. 16.

Journalize, post, balance, and close Bills Payable Account, making it a continuation of the account in Ex. No. 15.

Montreal, June 1, 19—. Bought from P. Spence on my note at 10 days, Mdse. \$75.60.

6. Accepted R. Proctor's draft at 15 days for \$130.
14. Paid my note favour of P. Spence in cash, \$75.60.
17. Gave N. Prior on account my note at 30 days for \$65.
24. Paid my acceptance of June 6 in cash, \$130.
29. Bought from C. Rogers on my note at 10 days, Office Desk \$35.

Exercise No. 17.

Journalize, and post Bills Receivable Account, and Bills Payable Account. Leave the accounts unclosed, but find the balance from pin-head totals, and determine whether they are assets or liabilities. "His note" is a Bills Rec.; "my note" is a Bills Pay.

Brantford, July 2, 19—. Pupil invests N. Mott's note, \$30.

4. Sold D. Powell on his acceptance, Mdse. \$50.
8. Gave A. Martin on account my note, \$60.
11. Received from N. Mott on account his note, \$20.
15. Bought from A. Martin on my note, Mdse. \$100.
18. N. Mott paid his note of July 2 in cash, \$30.
20. Settled my note of July 8 in cash, \$60.
23. Sold D. Powell for cash, Mdse. \$200.
25. Received cash for N. Mott's note of July 11.
29. Accepted A. Martin's draft on account, \$300.
31. Paid my note of July 15 in cash.

LOSS AND GAIN ACCOUNTS.**30. Loss and Gain Accounts.**

This third class of accounts includes Merchandise, Expense, Real Estate, Interest, Discount, Commission, and any other accounts in connection with *things, uses or services*, which cost or produce value to our business. They are all Impersonal Accounts.

31. Journalizing—Rule III.

Make Loss and Gain Accounts debtor for costs, and creditor for proceeds.

32 (a). Merchandise Account.

Make this account debtor for the cost of goods, and creditor for the proceeds from goods. *Cost* includes purchases, goods returned by customers, freight paid on goods, etc.; *proceeds* includes sales, goods returned by us, etc.

EXERCISES ON MERCHANDISE ACCOUNT.**Exercise No. 18.**

Journalize, post, and close Merchandise Account, leaving room to continue with Ex. No. 19.

Guelph, August 1, 19—. Bought Mdse. \$300.25.

5. Sold Mdse. \$200.50.
9. Bought from R. Graham, Mdse. \$400.
12. Sold to L. Parker, Mdse. \$100.
16. Sold to T. Sampson on account, Mdse. \$250.
19. Bought from D. Adams for cash, Mdse. \$100.
28. Sold to R. Henry for cash, Mdse. \$150.
31. Sold balance of Mdse. by auction for \$200.

Caution.—Although the later illustrations show only the Ledger, still the Pupil should faithfully journalize the account dealt with in each exercise, as illustrated in Sections 13 (*b*) and 20. He is learning to journalize and post each account by itself; soon he will be required to consider *all* the accounts in each transaction.

(b) Ledger for Merchandise Account.

Dr.		MERCHANDISE		Cr.	
Aug. 1	300	Aug. 5	50		
	21 200	12	100		
19	21 100	16	250		
		28	150		
31		31	200		
	900		900	50	
Total proceeds.		\$900.50			
Total cost		800.25			
Gain		100.25			

(c) Remarks.

1. In all *loss and gain* accounts, either side may be the greater. If the debtor side be the greater, then the result is a loss; if the creditor side be the greater, then the result is a gain.
2. In the foregoing Merchandise Account, the result is a *gain*. The gain is placed on the smaller side—the debtor side, to balance the account; it is written in red ink to indicate that it is on its wrong side. Do not bring the "Gain" down below the ruling, as nothing but assets and liabilities are brought down.

Exercise No. 19.

Journalize, post, and close Merchandise Account, making it a continuation of the account in Ex. No. 18.

Guelph, September 3, 19—. Bought from R. Graham on account, Mdse. \$320.

10. Sold L. Parker for cash, Mdse. \$60.25.

16. Sold T. Sampson on his note at 10 days, Mdse. \$50.

20. Bought from D. Adams on our acceptance at 30 days, Mdse. \$260.50.

24. Sold R. Henry on account, Mdse. \$130.

30. Sold Mdse. for cash (Petty Sales for the month), \$270.60.

Inventory taken Sept. 30.

Merchandise on hand. \$120.50

33 (a). Ledger for Merchandise Account.

Dr.		MERCHANDISE		Cr.	
19—					
Aug. 1	21 300	25	Aug. 5	21 200	50
	21 200		12	21 100	
19	21 100		16	21 250	
			28	21 150	
31			31	21 200	
	Gain	100			
		900		900	50
Sept. 3	21 320		Sept. 10	21 60	25
10	21 260	50	16	21 50	
			24	21 130	
20		50	30	21 270	60
				Inventory	120 50
		631		631	35
Oct. 1	Inventory	21 120	50		

Total proceeds.....	\$510.85
Inventory - goods on hand	120.50 (add).
Total value, Cr.....	\$631.35
Total cost, Dr.	580.50 (subtract).
Gain.....	\$50.85

(b) Remarks.

1. The foregoing Merchandise Account shows August closed without an Inventory, and September closed with an Inventory.
2. The Inventory is placed on the creditor side to find the gain, but being a part of the cost, is on its wrong side and is written in red ink. The difference at this stage is the gain on Merchandise, and is placed on the smaller side to balance the account; and being on the wrong side (the loss side) it is written in red ink. The Inventory is brought down below the ruling on its right side (the debtor or cost side) in black ink, as a cost for the next month.
3. Instead of adding the Inventory to the proceeds, the same result would obtain if we should subtract it from the cost. It is more convenient in the Ledger to show it as an addition.

Exercise No. 20.

Journalize, post, and close Merchandise Account. Is the difference between the sides a loss or a gain?

Montreal, October 1, 19—. Pupil invested Mdse. \$300.

2. Bought from R. Quail on account, Mdse. \$200.50.
5. Sold to F. Somers for cash, Mdse. \$100.
10. Sold to K. Spencer on account, Mdse. \$50.75.
14. Bought from E. Galley on my note at 30 days, Mdse. \$300.
16. Sold to M. Peters on his note at 15 days, Mdse. \$400.
23. Bought from E. Galley for cash, Mdse. \$250.
31. Sold to F. Somers on his acceptance at 10 days, Mdse. \$75.

Inventory taken Oct. 31.

Merchandise on hand.....\$450.

34. Expense Account.

Goods bought for the purpose of selling again are called "Merchandise." Goods or service for the use of our business are called "Expense."

Make Expense Account debtor for costs and creditor for proceeds.

EXERCISES ON EXPENSE ACCOUNT.
Exercise No. 21.

Journalize, post, and close Expense Account. What is the amount of loss?

Brandon, November 1, 19—. Bought a set of books for office, \$15.

5. Paid for painting store, \$15.

9. Bought fuel for store, \$10.

12. Paid clerk's salary in cash, \$20.
18. Paid for repairs to store, \$25.
25. Paid gas bill in cash, \$8.
30. Bought stamps and stationery for cash, \$2.
- Inventory taken Nov. 30.
- Fuel on hand.....\$3.

Exercise No. 22.

Journalize, and post all of the accounts. Write the Journal entry for each transaction as in Section 6. Close only Cash and Expense Accounts.

Vancouver, December 2, 19—. Pupil invested cash, \$100.

3. Bought office desk for cash, \$35.
6. Bought fuel for store from E. Rogers & Co. for cash, \$20.
9. Paid for cleaning store, cash \$2.
12. Paid S. Moore for repairing counters, cash \$10.
19. Bought wrapping paper for cash, \$12.
23. Sold office desk for cash, \$34.
30. Paid rent of store in cash, \$25.

35 (a). Rules for Journalizing.

- I. For Personal Asset and Liability Accounts.—Make a person debtor for what he receives on account, and creditor for what he gives on account.
- II. For Impersonal Asset and Liability Accounts.—Make these accounts debtor for what is received by the business, and creditor for what is given by the business.
- III. For Loss and Gain Accounts.—Make these accounts debtor for costs, and creditor for proceeds.

(b) Remarks.

1. Steps in making a Journal entry: (a) Determine which of the accounts, mentioned in the transaction, are concerned, and which are to be rejected; (b) Select first the debits and then the credits.
2. Make no entry for a Personal Account, even though the name be mentioned, unless the transaction be on account; but make an entry for Cash, Mdse., etc., when they are mentioned, whether the transaction be on account or not.
3. When opening the books at commencement the foregoing rules still apply: (a) Persons are debtor for what they owe, or *have* received on account; and they are creditor for what is owed them, or what they *have* given on account. (b) Cash, Bills Rec., etc., on hand or invested, are debtor, because they *have* been received; Bills Pay., etc., are creditor, because they *have* been given. (c) Mdse., etc., on hand or invested, are debtor, because they are a cost to the business.

In short, when opening the books, make the Assets debtor and the Proprietor creditor for the amount of his Assets, and make the Proprietor debtor for the amount of his

Liabilities and the Liabilities themselves creditor; or make the Assets debtor, the Liabilities creditor and the Proprietor creditor for the difference between his Assets and Liabilities. (See Section No. 59.)

36. Business Papers—Receipts and Promissory Notes.

Various forms of receipts can be made from the example (a) following, by changing "on account" to "in full of account," "in full of all demands," etc. In the example (c) the expression "to the order of G. Grand" may also be written "to G. Grand or order" without change of meaning; the word "order" makes it necessary for G. Grand to endorse the paper (write his name across the back) before transferring, or parting with it in any way. In the example (d) if "bearer" be written instead of "order," then there is no need of endorsement.

(a) Receipt on Account.

\$50 ⁰⁰ / ₁₀₀	Peterboro, January 15, 19—
Received from J. Lane	
Fifty	⁰⁰ / ₁₀₀ Dollars
on account.	G. Grand.

(b) Receipt for Rent.

\$30 ⁰⁰ / ₁₀₀	Woodstock, February 1, 19—
Received from L. Proctor	
Thirty	⁰⁰ / ₁₀₀ Dollars
for Rent of House No. 27 Princess St., for the month ending	
January 31, 19—	W. Pearson.

Instead of a receipt on a separate piece of paper, as in the foregoing examples, a receipt may be written on a bill or invoice, as in Section 71, or on a cheque given in payment.

Business courtesy demands that the person receiving a payment should give a receipt for the same without being asked. Any one making a payment of any kind should ask for a receipt, if the receiver neglect to offer one.

(c) Promissory Note.

1100.	Peterboro, January 7, 19—
Three days	after date I promise to pay
to the order of G. Grand	
One Hundred	$\frac{50}{100}$ Dollars
for value received.	J. Lane.

In the printed form of a promissory note, the maker or any holder may cross out "bearer" and insert "order", but only the maker may cross out "order" and insert "bearer," and he must place his initials near the change.

(d) Promissory Note with Place of Payment and Bearing Interest.

1115.	Woodstock, February 11, 19—
One month	after date I promise to pay
to J. Alderson	or order
at the Dominion Bank here	
One Hundred and Seventy five	$\frac{00}{100}$ Dollars
with interest at seven per cent. per annum	
for value received.	James Scott.

Exercise No. 23.

- (a) Journalize all the accounts, writing them as in Section 6 ; you need not do the posting.
 (b) Make out receipts for Jan. 15 and 16 ; and promissory notes for Jan. 6, 10, 11, 18, 23, 24 and 25.

Peterboro, January 2, 19 . . . G. Grand commences business, investing (giving on account)
Cash \$2000 ; Mdse. \$1500 ; Store and Lot (Real Estate) \$1800.

3. Engaged Pupil as bookkeeper at \$20 per month.
4. Sold S. Dame on account, Mdse. \$300.
5. Sold S. Dame for cash, Mdse. \$200.
6. Sold S. Dame on his note at 4 days, Mdse. \$100.50.
8. Bought from P. Kerr on account, Mdse. \$500.
9. Bought from P. Kerr for cash, Mdse. \$400.
10. Bought from P. Kerr on our note at 4 days, Mdse. \$600.
11. Loaned S. Dame on his note at 20 days, cash \$75.
12. Loaned S. Dame on account, cash \$125.
13. S. Dame paid his note of the 6th inst. in cash.
15. S. Dame paid cash on account, \$50.
16. Paid P. Kerr on account, cash \$250.
17. Paid our note of the 10th inst. in cash.
18. Borrowed from P. Kerr on our note at 1 month, cash \$175.
19. Borrowed from P. Kerr on account, cash \$150.
20. Bought from A. Weir on account, Office Desk, \$90.
22. Bought from A. Weir for cash, Stamps and Stationery, \$5.
23. Bought from A. Weir on our note at 4 days, Stove for store, \$30.
24. Received from S. Dame on account, his note at 2 months, \$130.
25. Gave to P. Kerr on account, our note at 10 days, \$240.
26. S. Dame returned the money loaned him on the 12th inst.
27. Returned to P. Kerr the money borrowed on the 19th inst.
29. Paid cash for advertising, \$3.
30. Redeemed our note of the 23rd inst.
31. Paid Pupil his month's salary.

Exercise No. 24.

(a) Journalize, and post all the accounts.

(b) Find the gain in Mdse. Account and the loss in Expense Account ; enter the difference, which is the *net gain*, in the Proprietor's Account, and balance it. What is this balance? (See Sec. 15.) Leave the other accounts unclosed.

(c) Write out receipts for Feb. 20 and 28 ; and promissory notes for Feb. 5, 14, 20 and 26. Write each business paper when journalizing the transaction.

Montreal, February 1, 19—. G. Grand commences business, investing Cash \$1000, Mdse. \$500.

He engages Pupil as bookkeeper at \$20 per month, and rents store No. 29 Notre Dame St., from F. Smith at \$25 per month.

2. Sold K. Morris on account, 250 bush. Wheat @ \$1.
3. Sold K. Morris for cash, 200 bush. Oats @ 30c.
5. Sold K. Morris on his note at 10 days, 4 tons Pressed Hay @ \$15.
7. G. Grand withdrew from the business, cash \$20.
9. Bought from K. Morris on account, Mdse. as per Invoice No. 1, \$180.
12. Bought from K. Morris for cash, Mdse. as per Inv. 2, \$70.
14. Bought from K. Morris, on our note at 10 days, Mdse. as per Inv. 3, \$40.
19. K. Morris settled his note of the 5th inst. in cash.
20. Received from K. Morris on account, his note at 2 months, \$50.
22. G. Grand invests cash, \$100.
24. Paid for stationery in cash, \$2.
26. Borrowed from K. Morris on our note on demand, cash \$250.
27. Settled our note of the 14th inst. in cash.
Paid Pupil his month's salary, \$20.
29. Paid F. Smith for February rent in cash.
Sold the balance of Mdse. on hand for cash, \$500.

37. Two Kinds of Bookkeeping Double Entry and Single Entry.

Double Entry Bookkeeping deals with all the accounts of a transaction—both Personal and Impersonal. Single Entry Bookkeeping deals with Personal accounts only.

In Double Entry, there are always one or more debits and also one or more credits in connection with each transaction; the debits are always equal in amount to the credits, and they are written together as one journal entry, so that a transaction is said to be entered *double*. In Single Entry, each journal entry concerns but a single account, and that a Personal account; if a transaction has two Personal accounts connected with it, then a separate entry is made in the Journal for each, so that a transaction is said to be entered *single*.

In Double Entry, an entry is made in the Journal whether the transaction is on account or not. In Single Entry, an entry is made in the Journal, only when the transaction is on account or partly on account.

38. The Journal Day Book.

This book is a combination of the Journal and the Day Book or Blotter. The Journal portion arranges the debits and credits ready for posting, and the Day Book portion gives an explanation or history of the transaction.

Double entry bookkeeping is said to have originated with the Italians. Lucas di Vergo was the first, or among the first, to state the general principles. Since his time there have been many changes and much advancement in the application of these principles.

The old form of Day Book and Journal, as two separate books, has been superseded by the Journal Day Book, a combination of these two, generally now called simply the *Journal*. At first the Pupil will post to the Ledger from the Journal Day Book only, but at a later stage he will use other Journals, such as the Sales Journal, Purchase Journal, Cash Journal, etc.

39. Set I. Illustration Set—Double Entry—Dry Goods Business.

To the Pupil.—*Study the illustrations, and then work this set out for yourself. Write out the business papers mentioned in (c), either before commencing the set, or with each transaction as it is journalized. In the sets that follow, you will be keeping books or doing business in various towns and cities throughout the Dominion.*

Special Features.—*This set is worked out to illustrate Journal Day Book entries, posting, trial balance, financial statements, and the closing of the Ledger.*

Instructions :

(a) *Books to be used—Business Papers, Journal Day Book, and Ledger*

(b) *Business Papers—Notes on Mar. 23 and 25.*

(c) *Make out Business Papers and Journalize; post to the Ledger; take a Trial Balance; take stock; make a Statement of Losses and Gains, a Summary of G. Grand's A/c, and a Statement of Assets and Liabilities; and close the Ledger.*

Directory :

Hunter, T., Toronto, Ont.

Speller, J., Brockville, Ont.

40. Transactions—Set I.—Illustration Set.

Ottawa, March 1, 19— G. Grand commences the Dry Goods Business at No. 35 Sparks St. with the following Assets : Mdse. \$2000 ; Cash \$1500.

2. Sold J. Speller on a/c (on account), 130 yds. Can. Tweed @ \$1.
5. Bought from T. Hunter on a/c, Mdse. as per Invoice No. 1, \$75.
6. Paid for stamps and stationery, \$5.
8. Sold J. Speller for cash, 90 yds. Scotch Tweed @ \$1.50.
11. Bought from T. Hunter for cash, Mdse. as per Invoice No. 2, \$125.
15. Paid W. Moore for painting store, cash \$30.
20. Paid T. Hunter on a/c, cash \$75.
23. Sold J. Speller on his note at 10 days, 1000 yds. F. Cotton @ 4c.
25. Bought from T. Hunter on our note at 30 days Mdse. as per Inv. 3, \$200.
27. Received from J. Speller on a/c, cash \$50.
29. Paid Pupil's salary as bookkeeper, \$30.

Inventory taken March 30, 19—.

Merchandise (See Section 49 for details) . . . \$2180.

41. Directory.

The Directory in each set gives the addresses of the persons with whom business is transacted. These addresses are to be used when making out the business papers.

42 (a). Journal Day Book—Illustration Set.

OTTAWA, March 1, 1900.

		OTTAWA, March 1, 1900.			
				Debit or credit amount	Credit or debit amount
Debit	Credit	Debit	Credit		
G. Grand commences the Dry Goods business at No. 37 Sparks St.					
31	Mdse.			2000	
	Cash			1500	
31			G. Grand (Capital A/c)		3500
			For Assets and Liabilities		
	J. Speller			130	
31	Mdse.				130
	Sold him on a/c.				
	Receipt Cash Forward at 81				
31	Mdse.			75	
	T. Hunter				75
	Bought from him on a/c Mdse. as per Inv. 1				
	Expense				
	Cash				
	Paid for Stamps and Stationery				
32	Cash			135	
31	Mdse.				135
	Sold J. Speller for cash.				
	Receipts, Stamps Forward at 81				
31	Mdse.			125	
	Cash				125
	Bought from T. Hunter for cash, Mdse. as per Inv. 1				
	Expense			30	
	Cash				30
	Paid W. Moore for painting store				
	T. Hunter			75	
	Cash				75
	Paid him on a/c				
31	Bills Rec.			40	
	Mdse.				40
	Sold J. Speller on B. R. 1,				
	for goods, P. Carter on a/c				
31	Mdse.			200	
	Bought from T. Hunter on B. P. 1,				200
	Mdse. as per Inv. 1				
	Cash			50	
	J. Speller				50
	Received from him on a/c				
	Expense			20	
	Cash				20
	Paid bookkeeper's salary				

(b) **Day Book Entries.**

Notice the two methods of making the Day Book entries, the second method commencing in the foregoing example on Mar. 25. When the second method is used the *date line* may be moved a little further to the left.

43. Index to Ledger.—Illustration Set.

The Ledger Index enables the bookkeeper to turn readily to any account in the Ledger. Enter the account and the ledger page as shown in the following illustration, which is part of a simple form of Index. An account should be indexed before it is opened in the Ledger, so that it may not be opened twice, or that the indexing may not be forgotten and the account temporarily lost sight of. When forwarding an account to a new page in the Ledger, enter the *new* page after the *old* page in the Index.

Index to Ledger.

A.	G.
	<i>Grand, G., 31.</i>
B.	H.
<i>Bills Receivable, 32.</i>	<i>Hunter, T., 32</i>
<i>Bills Payable, 32.</i>	

44. Ledger Posted—Illustration Set.

Dr.		G. Grand (Capital A/c)		Cr	
				19-- Mar 1	30 3500
Merchandise					
19-- Mar 1		30	2000	19-- Mar 2	30 130
	5	30	75		30 135
	11	30	125		30 40
	25	30	200		30 5
			2400		

Ledger Posted—Illustration Set *Continued*

<i>Dr.</i>				<i>Cash</i>				<i>Cr.</i>			
19—	Mar	1		30	1500	19—	Mar	6		30	5
		8		30	135			11		30	125
		27		30	50			15		30	30
					1000			20		30	75
								29		30	30
											00
<i>J. Speller</i>											
19—	Mar	2		30	130	19—	Mar	27		30	50
<i>T. Hunter</i>											
19—	Mar	10		30	75	19—	Mar	5		30	75
<i>Expense</i>											
19—	Mar	6		30	5						
		15		30	30						
		29		30	30						
<i>Bills Receivable</i>											
19—	Mar	10		30	90						
<i>Bills Payable</i>											
						19—	Mar	25		30	200

45. Balanced Accounts.

Whenever an account is settled or balances, particularly a personal account, it should be ruled and footed on that date. If there be but one item on each side, it should be ruled only, as in T. Hunter's account. Any subsequent entries for the closed account should be placed directly under the ruling.

46 (a). Trial Balances.

In Double Entry Bookkeeping, the Journal shows as much in the *debtor* column as in the *creditor* column. There is, therefore, as much posted to the *debtor* side of the Ledger as to the *creditor* side, so that the total of the debtor side must be equal to the total of the creditor side. If we wish to test the accuracy of the posting, we make a trial to see if the Ledger is in balance. This is called "taking a Trial Balance."

There are two methods of taking a Trial Balance.

I. *By Totals.* Total the Ledger accounts in pin-head figures with a hard lead pencil, make a list of these accounts with their respective debtor and creditor totals, then find the two grand totals. These must be equal in amount. See the pin-head totals in the Illustration Ledger.

II. *By Totals and Balances.* Write the totals of the loss and gain accounts, and the balances only of the asset and liability accounts. The two grand totals must be equal.

The second method is preferable, since financial statements are made from the Trial Balance and Inventories. The balances of asset and liability accounts are more convenient than the totals; but in loss and gain accounts, the totals are necessary to obtain the percentage of loss or gain in the respective accounts.

(b) Trial Balance by Totals—Illustration Set.*TRIAL BALANCE, March 30, 19—.*

L. P.		L. A.		Dr.		Cr.	
31	Merchandise			2400		305	
32	J. Speller			168.7			50
82	Bills Receivable			130			
	Bills Payable				65		

Trial Balance by Totals and Balances—Illustration Set.*TRIAL BALANCE, March 30, 19—.*

31	Cash						
	J. Speller						
82	Bills Receivable						
	Bills Payable						

(d) Trial Balance Out of Balance—Finding Errors.

1. Test the addition of the Trial Balance by adding it both upward and downward.
2. Next take the difference between the Dr. and Cr. columns of the Trial Balance, and look in the Journal for this amount unposted. Then divide the difference by 2 and look for this amount posted on the wrong side.
3. Add the Ledger accounts again. Then see if the footings have been correctly transferred.
4. See if previous Ledger balances have been brought down correctly.
5. Go over the posting again, placing a lead pencil dot (.) or check mark (✓), in both Journal and Ledger, opposite the verified items. Then look for the unchecked items in the Ledger.

47. Closing the Books.

This includes (1) taking a trial balance, (2) stock-taking, (3) making financial statements, and (4) closing the ledger. The books are closed annually or semi-annually for the purpose of determining the net gain or the net loss, the net capital, the percentage of gain, etc.

48. Stock-taking.

This consists in making inventories or lists at the time of closing the books : (1) Of Merchandise, Real Estate, Office Furniture, etc., on hand, of Rent and Salaries prepaid by us, of Interest Receivable accrued, etc.; and (2) of Rent and Salaries due by us, of Interest Payable accrued, etc.

In the first class, the inventories are in our favour and are called *Asset Inventories*; in the second class, the inventories are debts against us and are called *Liability Inventories*. Any loss and gain account may, or may not, have an inventory; asset and liability accounts do not have inventories. These lists are made on separate sheets called stock sheets, or in a regular Inventory Book.

49. Inventory—Illustration Set.

Copy the following into your Inventory Book, or on some special pages of your Journal Day Book reserved for Inventories.

INVENTORY, March 30, 19

<i>Merchandise</i>	<i>Asset Inventories</i>		
900 yds. Canadian Tweed	\$ 200	\$ 10	
1000 " Scotch Tweed	1.25	1250	
2000 " P. Cotton	.03	120	2180

50. Financial Statements.

There are three general kinds of Financial Statements, namely, Statement of Losses and Gains, Statement of Assets and Liabilities, and Statement of Receipts and Disbursements. The last one is generally used only by non-trading corporations, such as towns, cities, churches, hospitals, etc., which do not exist for the purpose of making profits. So that the term *Financial Statements* will, throughout this book, mean (Statement of Losses and Gains and Statement of Assets and Liabilities, together with a Summary of the Proprietor's Account.)

After taking a trial balance and stock-taking, and before closing the ledger, make Financial Statements from the trial balance and inventories. The following three forms are the statements in general use; they differ only in arrangement. The first and second forms are generally used by corporations and companies in their annual statements, because they are easily understood; they may be seen frequently in the newspapers. The third form is sometimes called the *bookkeeper's statement*, from which he afterwards prepares the simpler forms for the proprietor or for the shareholders.

51. First Form of Financial Statements—Illustration Set.*(a) STATEMENT OF LOSSES AND GAINS, M.D.*

Losses,	Gains,
Expense	Merchandise
G. Grand's Net Gain	85

The Merchandise gain and the Expense loss are found from the loss and gain account in Table, thus (✓) in the Trial Balance in Section 46 (c), and the Inventory in Section 49. Add the Mdse. Inventory to the Cr. side of Mdse. account, and then take the difference: $(\$305 + \$2180) - \$2400 = \85 . There is no Expense Inventory, so that the loss is \$65. The difference between the gain and the loss is G. Grand's Net Gain: $\$85 - \$65 = \$20$.

(b) SUMMARY OF G. GRAND'S ACCOUNT

G. Grand's Net Capital	G. Grand's Net Credit Gain

This Summary is made from G. Grand's account in the Trial Balance, and the Statement of Losses and Gains.

(c) STATEMENT OF ASSETS AND LIABILITIES.

Assets,	Liabilities,
Merchandise	Bills Payable
Cash	G. Grand's Net Capital
J. Speller	
Bills Receivable	
37.20	37.20

The Statement of Assets and Liabilities is made from the Asset and Liability Accounts, marked thus (x) in the Trial Balance in Section 46 (c), the Inventory in Section 49, and the "Summary of G. Grand's Account." Debit balances from the Trial Balance are assets, and credit balances are liabilities. The Merchandise Inventory is an asset. The Net Capital from the Summary is a deferred liability; the business owes this amount to the proprietor, but in case of closing up the business, it is paid last of the liabilities.

The Summary may be combined with the Statement of Assets and Liabilities and written as a part of it. The difference between the ordinary assets and liabilities is always equal to the Proprietor's Net Capital, or Net Insolvency in the event of bankruptcy.

52. Second Form of Financial Statements Illustration Set.*(a) STATEMENT OF LOSSES AND GAINS, M.D.*

Losses,	Gains,
Expense	Merchandise
G. Grand's Net Gain	

These items in red ink.

(6) SUMMARY OF G. GRAND'S ACCOUNT

G. Grand's Net Credit		
" " " "		
" " Capital		35.20

STATEMENT OF ASSETS AND LIABILITIES

	Primes	Total
Assets		
Merchandise	18	
Cash	14.20	
J. S. " "	80	
Bills Payable		
Liabilities		
J. S. " "	200	
G. Grand's Net Credit		35.20

53. Third Form of Financial Statement Illustration Set.

FINANCIAL STATEMENT, MONTHLY

L.P.		Dr.		Cr.		L.P.		Dr.		Cr.		L.P.		Dr.		Cr.	
G. Grand (Capital A/c)																	
31				305		2180				85		2180					
												14.20					
												80					
32								65									
										85		37.20					
										85		85					
																35.20	
				35.20												37.20	

The third form is sometimes called a *Balance Sheet*, but since this term is used by accountants for the Statement of Assets and Liabilities alone, we have avoided its use altogether, using instead the term *Financial Statement*.

In all three forms of the Financial Statement, the Loss and Gain Statement and the Asset and Liability Statement are each made from the Trial Balance and Inventories, both of which are shown in the third form only. The loss and gain accounts are marked thus (x), and the asset and liability accounts thus (x). In loss and gain accounts, debtor balances are losses and

creditor balances are gains : in asset and liability accounts, debtor balances are assets and creditor balances are liabilities. All loss and gain accounts may or may not have inventories, but asset and liability accounts never have inventories.

Loss and Gain Statement.—Since we are making a statement for G. Grand, we shall not use his account until we come to the Summary.

1. Merchandise Account : add the asset inventory, \$2180, to the creditor side and then take the difference, which is a gain, \$85.
2. Expense Account : There is no inventory, and the difference is a loss, \$65.
3. The difference between the two columns is the net gain, \$20.

Asset and Liability Statement.—For this statement, besides dealing with the asset and liability accounts, we must look to the inventories from the loss and gain accounts, which inventories are either assets or liabilities.

1. Merchandise Account : the Inventory, \$2180, is an asset.
2. Cash Account : the balance is an asset, \$1420.
3. J. Speller's Account : the balance is an asset, \$80.
4. Expense Account : there is no Inventory.
5. Bills Receivable Account : the balance is an asset, \$40.
6. Bills Payable Account : the balance is a liability, \$200.
7. The difference between the assets and the liability is the net capital, \$3520, which agrees with the net capital found in the Summary. The business owes this amount to the Proprietor as a deferred liability.

54. Purpose of Closing the Ledger.

Since the Loss and Gain Statement shows the details of losses and gains, and the net gain or the net loss for the year, there would seem to be no need of closing the Ledger. It is necessary, however, to close the Ledger : (1) to have a permanent record of the gains, the losses, the net gain or the net loss, and the net capital for the year or the period under consideration ; and (2) to make a separation, in the loss and gain accounts, between the entries of successive years, so that the facts mentioned above may be determined for each year. It is quite evident that there is no need of closing asset and liability accounts for this purpose ; they are closed only when they balance, or are settled, or transferred to a new page.

55. Steps to Close a Double Entry Ledger.

After stock-taking, taking a trial balance, and making financial statements, proceed to close the Ledger as follows :

1. Open Loss and Gain Account.
2. Close the loss and gain accounts, such as Mdse. and Expense, transfer the gains and losses to the Loss and Gain Account, and bring down the Inventories.
3. Close Loss and Gain Account, and transfer the net gain or the net loss to the Proprietor's Account.
4. Close the Proprietor's Account, and bring down the Net Capital.
5. Do not close any asset and liability accounts except Cash Account and Bank Account. These two accounts are not usually kept in the Ledger, but when they are, they should be closed and the balances brought down, so as to tally with the balances of the Cash Book and the Bank Pass Book respectively.

56. Ledger Closed—Illustration Set.

Dr.		G. Grand (Capital A/c)		Cr.	
Mar 1		Net Capital		35	5500
			30 Net Gain	39	20
		3520			3520
	Apr 1	Net Capital		38	5520
Merchandise					
Mar 1		30	2000	Mar 2	30 150
	5	30	75		30 155
	11	30	125		30 40
	25	30	200		
			2485		2485
Apr 1	Inventory	35	2180		
Cash					
Mar 1		30	1500	Mar 6	30 5
	8	30	135		30 125
	27	30	50		30 30
			1685		30 75
					30 30
			1685		1685
Apr 1	Balance	38	1420		
J. Speller					
Mar 2		30	130	Mar 27	30 50
J. Hunter					
Mar 20		30	75	Mar 5	30 75

Remarks :

1. In all red ink entries, enter the page *to* which transferred, and in the corresponding black ink entries, enter the page *from* which transferred. In the case of an account brought down on the same page, the paging may be omitted.
2. Make the pin-head figures neatly with a hard lead pencil and leave them for future reference.

57 (a). Closing the Ledger—Illustration Set.

- I. *Open Loss and Gain Account.*
- II. *Close the loss and gain accounts.*

Merchandise Account :

- (a) Enter the Inventory (an Asset Inventory) on the Cr. side in red ink, thus, "Mar. 30, Inventory, \$2180."
- (b) Find the difference between the sides. This a gain; enter it on the smaller (Dr.) side in red ink, thus, "Mar. 30, Gain, \$85," to balance the account.
- (c) Rule and foot the account.
- (d) Transfer the gain to the opposite (Cr.) side of the Loss and Gain Account in black ink, thus, "Mar. 30, Mdse. (page of Mdse. Acct.), \$85."

Dr.		Expense		Cr.
Mar 6	30	5	Mar 30 Loss	65
15	30	30		
29	30	30		
		65		65

Bills Receivable

Mar 23	30	120
--------	----	-----

Bills Payable

Mar 25	30	200
--------	----	-----

Loss & Gain

Mar 30 Expense	39	65	Mar 30 Mdse.	38	85
20 Loss and Gain	38	25			
		85			85

- (e) Turn back to Mdse. Acct. ; see if you transferred the right amount, called *checking back* ; and then enter the page of Loss and Gain Account, called *checking off*.
- (f) Bring down the Inventory on the opposite (Dr.) side, below the ruling, thus, "April 1, Inventory, (page from which taken), \$2180," for next month. *Check back and check off*.

Expense Account :

- (a) There is no Inventory.
- (b) Enter the difference, which is a loss, on the smaller (Cr.) side in red ink, thus, "Mar. 30, Loss, \$65," to balance the account.
- (c) Rule the account ; it needs no footing this time.
- (d) Transfer the loss to the opposite (Dr.) side of Loss and Gain Account in black ink, thus, "Mar. 30, Expense, (page of Expense Acct.), \$65."
- (e) Turn back to Expense Account and *check back and check off*.

III. Close Loss and Gain Account.

- (a) Enter the difference, which is the Net Gain, on the smaller (Dr.) side in red ink, thus, "Mar. 30, G. Grand, \$20," to balance the account.
- (b) Rule and foot the account.
- (c) Transfer the Net Gain to the opposite (Cr.) side of G. Grand's Account, in black ink, thus, "Mar. 30, Net Gain, (page of Loss and Gain Account), \$20."
- (d) Turn back to the Loss and Gain Account, and *check back and check off*.

IV. Close G. Grand's Account.

- (a) Enter the difference, which is his Net Capital, on the smaller (Dr.) side in red ink, thus, "Mar. 30, Net Capital, \$3520," to balance the account.
- (b) Rule and foot the account.
- (c) Bring down the balance on the opposite (Cr.) side, in black ink, thus, "April 1, Net Capital, (page from which taken), \$3520," for next month. *Check back and check off*.

V. Close Cash Account.

Balance it, rule and foot it, and bring the balance down. Do not close any other Asset and Liability Accounts. (See Section 54.)

(b) Remarks :

1. Asset Inventories are placed on the Cr. side, and Liability Inventories on the Dr. side, in red ink. They are afterward brought down in black ink, on the opposite side to the red ink entry.
2. Red ink may be said to indicate that the entry is on its wrong side, and black ink that the entry is on its right side. Inventories are placed on their wrong sides in red ink, that the true gain or loss may be found ; all other red ink entries are so placed, simply to balance the accounts. In each case, the entry is afterwards transferred to its right side, in black ink.

58. Real Estate.

This term includes land and anything attached to the land by nature or by man, such as houses, wells, mines, etc. This account is treated in the same way as any other loss and gain account, being made Dr. for costs and Cr. for proceeds.

59. Opening Entry and the Proprietor's Account.

The opening entry is a transaction between the proprietor and his business. He invests (gives) his assets for which he is made Cr. ; the assets are made Dr. He withdraws (receives back) part of his investment, when the business assumes any liabilities he may have, and for this he is made Dr. ; the liabilities are made Cr. Suppose D. Scott's Assets at commencement to be \$3000, and his Liabilities, \$200 ; either of the following opening entries may be employed :

Opening Journal Entries.

THE METHOD (Assets—Liabilities)	and METHOD
Assets Dr. <i>D. Scott (Capital A/c) Cr.</i> 3000 <i>D. Scott (Capital A/c) Dr.</i> <i>Liabilities Cr.</i>	Assets Dr. 3000 Liabilities Cr. <i>D. Scott (Capital A/c) Cr.</i> 2800

Set II.—Double Entry—Grocery Business.

Special Features. *The application of the forms and ruling, as illustrated in Set I*
Instructions:

(a) *Books to be used:—Business Papers, Journal Day Book and Ledger.*

(b) *Business Papers:*

1. *Inward. Notes on Jan. 2 and 22.*

2. *Outward. Note on Jan. 24; Receipts on Jan. 10 and 28.*

(c) *Make out business papers and journalize; post to the Ledger; take a Trial Balance; take stock; make Statement of Losses and Gains, Summary of Proprietor's A/c and Statement of Assets and Liabilities (Sec. 51); and close the Ledger. Close no asset and liability accounts, excepting Cash Account. Bring down the following balances so as to continue Set III. under the same Ledger headings: R. J. Potter's Net Capital, Mdse. Inventory, Real Estate Inventory, and Cash Balance.*

Directory:

Dow, L., Owen Sound, Ont.

Street, M., Montreal, Que.

Moore, P., Whitby, Ont.

All Others, Toronto, Ont.

Ledger Lines for Sets II. and III.

In the accounts below, the first figure shows the number of lines for Set II., and the second figure the number for Set III. When an account is not the first one on the page, leave three lines for the ledger heading (H), which should be written on the middle line, or one above the ruling. (See Sec. 56.) The small figures on the left (1, 2, 3, 4) indicate that the first two accounts will take one page of Ledger, the next two another page, and so on. See p. 6.

<i>R. J. Potter</i>	<i>Bills Receivable</i> H + 2 + 4	<i>P. Moore</i> H + 1 + 2
<i>(Cap. A/c)</i> H + 4 + 3	<i>Real Estate</i> H + 4 + 2	<i>M. Street</i> H + 1 + 4
<i>Merchandise</i> H + 8 + 6	<i>Expense</i> H + 4 + 6	<i>Bills Payable</i> H + 1 + 4
<i>Cash</i> H + 6 + 10	<i>L. Dow</i> H + 1 + 4	<i>Loss and Gain</i> H + 3 + 3

Transactions—Set II.

Toronto, January 2, 19— R. J. Potter commences the Grocery Business at 150 Yonge St. with the following Assets: Mdse. \$2550; Cash \$1887, note against L. Dow, dated Dec. 26, 19—, at 3 months, for \$500; Store and Lot \$1800.

3. Bought for cash a set of office books, \$10.

Engaged Pupil as bookkeeper at \$40 per month.

5. Sold P. Moore on a/c, 500 lbs. Tea @ 30c.

8. Bought from M. Street for cash, Mdse. as per Inv. 1, \$500.

10. P. Moore paid on a/c, cash \$50.

15. Sold L. Dow on a/c, 500# (lbs.) Sugar @ 3c.; 100# Coffee @ 20c.

16. Bought from M. Street on a/c, Mdse. as per Inv. 2, \$150.

18. Paid Mrs. Sims for cleaning store, cash \$2.

22. Sold P. Moore on his note at 60 days, 200 gals. G. Syrup @ 20c.
 24. Gave M. Street on a c, my note at 2 months, \$75.
 29. Received from L. Dow on a c, cash \$25.
 31. Sold L. Dow for cash, 500# cheese @ 10c.
 Paid Bookkeeper's salary in goods from store, \$40.

INVENTORIES taken Jan. 31, 1901.

Asset Inventories

Merchandise. 15000# Sugar @ 2½c. 2000# Cheese @ 8c.
 5000# Coffee @ 1½c. 20000 gals. G. Syrup @ 15c.
 5000# Tea @ 25c.

Real Estate.—Store and Lot \$2000.

Results.—*Net Gain*, \$263. *Net Capital*, \$5000.

60. Principal and Auxiliary Books.

Principal books are those from which posting is done, together with the Ledger; auxiliary books are those which are used as memorandum books, and not as posting mediums. In Set III, we shall continue the Journal as the only posting medium, and introduce the Cash Book as an auxiliary book, and at a later stage as a principal book.

61. Books of Original Entry.

These are books of account in which transactions are first recorded, and are the only ones admitted as proof of an account in courts of law. They may be either principal or auxiliary books, since a principal book, say the Journal, may have its origin in an auxiliary book, say a Blotter or Counter Check Book.

62. Cash Book.

The Dr. side of the Cash Book shows the receipts, and the Cr. side shows the payments; the difference between the two sides shows the balance of cash on hand.

There are four parts to an entry in the Cash Book: (1) the date, (2) the name of the account opposed to cash, (3) the explanation, and (4) the amount. The account, opposed to cash on the Dr. side, shows from whom the cash was received if on account, or for what received if not on account; on the Cr. side, it shows to whom the cash was paid if on account, or for what it was paid if not on account.

63. Cash Book for Set III.

		CASH (Receipts).	Dr.		
Date.	Ledger Accounts Cr.	Explanations.	Items.	Totals and Bal.	
<hr/>					
Jan.					
Feb.	Balance	car. forward			1500
	M. Street	Sold L. Dow			
13	L. Dow	On account	10		
19	Bills Rec.	No. 3	150		
27	P. Moore	On a/c			
28	M. Street	Sold on a/c	100		
28	Real Estate	Sold store and lot to M. Street	2500		5800
					5800
Mar.	Balance	Car. forward			6250

64. The Cash Book a Cash Journal.

Notice that when Cash is Dr. for a certain amount (say \$61 on Feb. 3), the opposing account (Mdse.) is Cr. for the same amount; and when Cash is Cr. for a certain amount (say \$300 on Feb. 2), the opposing account (Mdse.) is Dr. for the same amount. So that we might omit the cash transactions from the Journal and enter them only in the Cash Book, posting therefrom to the Ledger.

In Sets III. to VII. the Pupil will use the Cash Book as an auxiliary book, and by making the comparisons suggested he will thoroughly appreciate dropping the cash transactions from the Journal Day Book when he comes to use the Cash Book as a principal book in Set VIII.

There are other "short cuts" in connection with the Cash Book which will be taken up as the Pupil advances, from which he will learn to look upon this book as one of great importance in shortening the work of bookkeeping.

65. The Cash Book a Ledger Account.

Compare the sides of the following Cash Account (Sec. 66) from the Ledger of Set III., with the corresponding sides of the Cash Book (Sec. 63) of the same set. You will find the amounts the same, item for item, so that we might dispense with the Cash Account in the Ledger, and let the Cash Book take its place. Remember this fact while working Sets III. to VII., and when you come to Set VIII. you will be asked, not only to post from the Cash Book, but to have your Cash Account in the Ledger show only the Dr. and Cr. Cash Book totals; and later you will be asked to omit the Cash Account altogether.

66. Cash Account from Ledger of Set III.

Dr.		CASH		Cr.	
19			19		
Feb.		1500	Feb.	2	300
		61		6	25
13		10		10	75
15		150		11	50
		7		19	
28		500		22	
28		2450		26	150
				28	
			*28	* Balance	*6727
		7300			7300
Mar.	Balance	6727			

.....an Auxiliary Book.

Dr.		CASH (Payments).		Cr.	
Date.	Ledger Accounts Dr.	Explanations.	Items.	Totals and Bal.	
19					
Feb.					
	Mdse.	Bought from M. Street			
	Expense	Painting Store			
10	Expenses	Charles St., Showcase 870			
14	M. Street	On account	70		
19	Expense	Bought from P. Marsh			
22	Expenses	Postage and Stationery			
26	Bills Pay.	No. 2	150		
28	Expense	Salaries	60		639
		* Balance on hand			*6727
					7300

67. Purposes of the Cash Book.

(1) As an auxiliary book, besides being a record of receipts and payments, it serves as a check on the cash drawer: the balances of the Cash Book and the cash drawer should always agree; and if they do not, a mistake has been made or the drawer has been tampered with. In actual business, this comparison of balances is made daily or weekly, and the Cash Book footed and ruled at the same time or at longer intervals.

(2) As a principal book, it serves as a posting medium, thus lessening the work of the Journal Day Book. It may also serve as a ledger account.

Set III.—D. E.—Grocery Business.

Special Features. *Continuation of Set II., and the introduction of the Cash Book as an auxiliary book.*

Instructions:

(a) *Books to be used:—Business Papers, Journal Day Book, Cash Book and Ledger.*

(b) *Business Papers.*

1. *Inward:—Notes on Feb. 5, 20, and 25. Receipts on Feb. 6, 14, and 20.*

2. *Outward:—Notes on Feb. 12 and 16. Receipts on Feb. 13 and 20.*

(c) *Make out business papers and journalize; write up the Cash Book, making each entry just after the transaction is journalized; post under the ledger headings of Set II.; take a Trial Balance; make Statement of Losses and Gains, Summary of Proprietor's A/c and Statement of Assets and Liabilities (Sec. 51); close the Ledger as in Set II.*

Transactions Set III.

Toronto, February 1, 19— R. J. Potter continues the Grocery Business at 150 Yonge St.

2. Bought from M. Street for cash, Mdse. as per Inv. 3, \$300.

3. Sold L. Dow for cash, 1000# Sugar @ 4c.; 70# Tea @ 30c.

5. Sold P. Moore on his note at 10 days, 1500# Cheese @ 10c.

6. Paid R. Smith for painting store, cash \$25.

7. Bought from M. Street on a/c, Mdse. as per Inv. 4, \$200.

8. Sold L. Dow on a/c, 100# Coffee @ 25c.

9. Engaged J. Sims as clerk at \$30 per month.

10. Bought from Rogers & Sons for cash, Chairs \$6, Showcase \$40, for store.

12. Bought from M. Street on our note at 10 days, Mdse. as per Inv. 5, \$150.

13. L. Dow paid cash on a/c, \$10.

14. Paid M. Street on a/c, cash \$50.

15. Sold L. Dow on a/c, 20 bbls. Flour @ \$4.

16. Sent M. Street on a/c, our note at 15 days, \$100.

19. P. Moore paid his note of the 5th inst. in cash.

Bought from P. Marsh for cash, 1 ton Coal \$6, for store.

20. Received from L. Dow on a/c, his note at 30 days, \$50.

21. Sold P. Moore on a/c, 10 sacks Oatmeal, 100# each, @ 2½c.

22. Paid for Postage and Stationery, \$2.

23. L. Dow gave us his note at 60 days to close his a/c.

26. Paid our note of the 12th in cash.

27. Sold M. Street on a/c, Chairs and Showcase (bought on 10th), \$43.

28. Received from P. Moore on a c. cash \$5.
 29. Sold balance of Mdse. at auction for cash, \$3500.
 Paid salaries, clerk \$20, bookkeeper \$40.
 Sold Store and Lot to M. Street for cash, \$2140.
Results. —Net Gain, \$235 : Net Capital, \$7235.

68. Business Papers—Deposit Slips and Cheques.

The deposit slip for the business man's account, called current account, is printed in black ink ; the deposit slip for the savings bank account is usually printed in red ink. Cheques are sometimes treated in the same way.

(Deposit Slip—Current Account.)

Scholastic Bank.

<i>Credit</i>		<i>A. Weir</i>	
<i>Deposited by</i>		<i>Pupil</i>	
<i>?</i>	<i>of</i>	<i>Feb.</i>	<i>19—</i>
40	×	1 =	40
30	×	2 =	60
		4 =	
100	×	5 =	500
20	×	10 =	200
		20 =	
10	×	50 =	500
$\frac{1}{4}$	×	100 =	400
	×	500 =	
		\$	1700
<i>Coin</i>		20	50
<i>Cheque</i>		40	15
		39	35
			1800

(Deposit Slip—Savings Account.)

Scholastic Bank.

Savings Bank Department.

Account No.	555
Credit.	Pupil
Occupation	Bookkeeper
Street Address	5 King St.
Post Office	Hamilton
Deposited by	Self
	Feb. 28
	19—
	× 1 =
3	× 2 =
2	× 4 =
	× 5 =
1	× 10 = 10
	× 20 =
	× 50 =
	× 100 =
	\$ 27

R. J.

Hamilton, Feb. 5: 19

No 1 *P*

To the **Scholastic Bank**

Pay to S. Pearson or Bearer

Two Hundred $\frac{00}{100}$ Dollars

\$ 200 $\frac{00}{100}$ a Weir

69. Bank Pass Book.

Pupil, as A. Weir's bookkeeper, hands the cash to be deposited and the deposit slip to the Receiving Teller, who counts the cash, initials the deposit slip, and hands the slip to the Ledger Keeper. Pupil then presents the pass book to the Ledger Keeper, who first enters the amount in the bank ledger and then in A. Weir's pass book; he at the same time enters any of A. Weir's cheques that have been paid by the bank. At the end of the month Pupil is required to leave the pass book to be balanced; when given back to him he also receives A. Weir's cheques that have been paid by the bank, and is asked to sign a book or slip acknowledging the correctness of the balance and the receipt of the paid cheques.

(BANK PASS BOOK)

Dr. Scholastic Bank in Acct.				with A. Weir			Cr.
DATE.	PARTICULARS.	AMOUNT.	Ledger Keeper's Initials.	CHEQUES.	CHEQUES.	CHEQUES.	
19							
Feb. 2	Deposit - -	1800	B	200			
28	"	300	B	150			
				15			
				44	50		
				25			
				1755	50	Balance	
		2190		2190			
Mar. 1	Balance - -	1755	50				

The leaves of the Pass Book fold here.

70 (a). Bank Account.

An account may be kept with the bank : (1) As a personal account in the Ledger only ; (2) On the stub ends of the Cheque Book only ; (3) In the Bank Pass Book only ; (4) In special columns in the Cash Book only ; (5) By combinations or modifications of the first four methods.

Make the Bank debtor for the deposits it receives from us, and creditor for the amounts it gives in paying the cheques we draw on it. Other persons' cheques on the various banks have nothing to do with our Bank Account ; we call them cash when we receive them, because we may either cash them at any bank, or deposit them with our other cash.

(b) Bank Account—Transactions Journalized.

<i>Hamilton, February 1, 19—.</i> Deposited in the Scholastic Bank 20 tens, 10 twos, 10 fives, 20 tens, 10 fifties, 1 one hundred, cash \$20.50, cheques \$30.15 and \$30.15.	<i>Scholastic Bank Dr.</i> 1800	
	<i>Cash Cr.</i> -	1830
<i>Feb. 5.</i> Brought from S. Peterson for cheque, Mdse. \$200.	<i>Mdse. Dr.</i> 200	
	<i>Scholastic Bank Cr.</i>	200
<i>Feb. 7.</i> Sold J. Darwin for cheque, Mdse. \$250.	<i>Cash Dr.</i> 250	
	<i>Mdse. Cr.</i> -	250

Set IV.—D. E.—Flour and Feed Business.

Special Features. *The introduction of Bank Account as a personal account in the Ledger ;
The use of deposit slips and cheques.*

Instructions :

(a) *Books to be used*—Business Papers, Journal Day Book, Cash Book, and Ledger.

(b) *Business Papers :*

1. *Inward.* Notes on Feb. 8, 10, 22, 24. Cheques on Feb. 7, 14, 16, 26 drawn on any bank. Receipts on Feb. 17, 27.
2. *Outward.* Notes on Feb. 1, 6, 15, 21, 24. Deposit Slip on Feb. 2. Cheques on Feb. 5, 10, 22, 24, 27 ; Receipts on Feb. 8, 23.

(c) *Make out business papers, journalize and write up the Cash Book ; post ; take a Trial Balance ; take stock ; make a Loss and Gain Statement, a Summary of the Proprietor's Account and an Asset and Liability Statement ; close the Ledger in the same way as in Sets I. and II.*

Directory :

Calder, A., Grimsby, Ont.

Davis, J., Oakville, Ont.

Darwin, J., Dundas, Ont.

Kilgour Bros., Toronto, Ont.

Knight, A., St. Catharines, Ont.

Taylor & Sons, Toronto, Ont.

All Others, Hamilton, Ont.

Ledger Lines ("H" stands for *Heading*, 3 lines):

¹ <i>A. Weir's Cap. A/c.</i> H + 4	<i>Expense</i> H + 7	<i>A. Knight</i> H + 4
<i>Cash</i> H + 9	<i>Bills Payable</i> H + 6	<i>Bills Receivable</i> H + 5
<i>Merchandise</i> H + 9	³ <i>J. Davis</i> H + 4	<i>Loss and Gain</i> H + 3
² <i>Scholastic Bank</i> H + 8		

Transactions—Set IV.

Hamilton, February 1, 19—. A. Weir commences the Flour and Feed Business at 237 King St.

Assets: Cash, \$2000 ; Mdse. as per Inventory, \$3000.

J. Davis owes on account, \$130.

- Liabilities: Note favour of D. Calder, dated Jan. 8, 19—, at 30 days for \$150; balance due A. Knight, \$500.
2. Arranged to open an account with the Scholastic Bank. Deposited cash $40 \times \$1.30 \times \$2.100 \times \$5.20 \times \$10.10 \times \$50.4 \times \100 ; coin, \$20.50; cheques, \$40.15, \$39.35.
 3. Sold A. Knight on a/c, 130 bush. Oats @ 35c.; 10 tons Pressed Hay @ \$18.
 5. Bought from S. Pearson for cheque, Mdse. as per Inv. 1, \$200.
 6. Gave A. Knight on a/c, our note at 10 days, \$30.
 7. Sold J. Darwin for cheque, 50 bbls. Flour @ \$5.
 8. Received from J. Davis on a/c, his note at 1 month \$35, and cash \$50.
 9. Bought from D. Arnold for cash, Mdse. as per Inv. 1, \$90.
 10. Paid our note of the 8th ult. with cheque, \$150.
 12. Bought from Kilgour Bros. for cash, Wrapping Paper as per Inv. 1, \$40.
 13. Sold A. Kent on his note at 10 days, 500# Flaxseed at 3c.
 14. J. Davis paid on a/c with cheque, \$20.
 15. Bought from Taylor & Son on my note at 3 months, bearing interest at 6% per annum, Safe for office, \$125.
 16. Sold J. Davis for cheque \$10 and balance on a/c, 120 bush. Peas @ 50c.
 17. Bought from A. Knight on a/c, Mdse. as per Inv. 1, \$100.
 19. Paid our note of the 6th in cash.
 20. Sold J. Darwin for cash \$30 and balance on his note at 30 days, 150 bush. Fall Wheat @ 90c.
 21. Bought from S. Pearson on our note at 30 days, Mdse. as per Inv. 2, \$200.
 22. Paid Grand Trunk Railway for freight with cheque, \$15. (Make *Mdse* Dr., not *Expense*.) Paid advertising in cash, \$5.
 23. Received from J. Davis cash \$10 and his note at 30 days, to close his a/c.
 24. Gave A. Knight cheque \$44.50 and our note at 15 days, to close our a/c.
 26. A. Kent paid his note of the 13th with cheque.
 27. Paid J. Booth for rent of store with cash, \$30. Paid Pupil's salary with cheque, \$25.
 28. Deposited balance of cash on hand. (Find the balance from your Cash Book.)

INVENTORIES taken Feb. 29, 19—.

Asset Inventories

Merchandise. —1000 bush. Oats @ 32c.; 950# Flaxseed @ $2\frac{1}{2}$ c.
 300 " Peas @ 45c.; 20 tons P. Hay @ \$17.00
 500 bbls. Flour @ \$4.50.

Expense.—Office Safe, \$120.00.

Results.—Net Gain, \$44.50. Net Capital, \$4524.50.

71. Business Papers—Bills and Invoices.

A Bill is an itemized list of goods sold by a retailer or of services rendered. An Invoice is an itemized list of goods sold by a wholesaler.

(BILL.)

HAMILTON,

Libanus .

19

Mr. James Scott

BOUGHT OF A. WALLACE & CO.

RETAIL GROCERS

20	# Sugar	-	-	-	-	-	.
"	# Tea	-	-	-	-	-	.25
2	bags Potatoes	-	-	-	-	-	1.10
3	doz. Eggs	-	-	-	-	-	.15

*Paid Feb. 2, 19—,
A. Wallace & Co.,
per M. T.*

(INVOICE.)

TORONTO,

February 10

19

Mr. R. K. Spencer

Whitby

BOUGHT OF D. T. PAGE & CO.

Terms: *Net 30 days.*

WHOLESALE STATIONERS

1	M. Envelopes # 4100	1.50	1	50
2	gr. Pens # 1643	.55	1	10
3	ems. Treasury Footscap 16#	1.60	8	48
	Losses			

Received Payment,
Feb. 11, 19—,
D. T. Page & Co.
K.

NOTE. The sign # means *number* when placed before figures, and *pounds* when placed after figures.

72. Business Papers—Orders.

An Order is a written request drawn by one party, called the drawer, on a second party, called the drawee (the payer or giver), in favour of a third party, called the payee (the receiver).

Kinds of Orders : (1) Orders requesting the payment of money or the giving of goods, commonly called *orders* ; (2) bank cheques ; (3) inland or domestic bills of exchange, commonly called *drafts* ; (4) foreign bills of exchange, commonly called *bills of exchange* ; (5) bank drafts ; (6) post office orders ; (7) postal notes ; (8) express money orders. (See Sections 103 and 104.)

The last set exemplified the use of cheques. In this set we shall take up orders for money or goods ; this class of order is seldom used, but the pupil in bookkeeping should know how to deal with it. A farm hand or other employee may buy goods and give an order on his employer, because his employer has not the ready money for his wages ; the merchant receives the order and charges the goods to the employer ; or the employer may himself give the order, asking the merchant to let his employee have goods on his account, and in this case also the merchant will charge the goods to the employer. Orders may, however, be used between business men themselves.

(ORDER FOR MONEY.)

Mr. M. Dark, Winnipeg, March 1, 19
 City.
 Dear Sir,
 Please pay to the order of Pupil
 Thirty $\frac{25}{100}$ Dollars
 and charge to my account.
 S 20 $\frac{25}{100}$ J. King.

(ORDER FOR GOODS.)

Mr. (Pupil), Winnipeg, March 1, 19
 City.
 Dear Sir,
 Please let Mr. J. King have goods from your
 store to the amount of Thirty $\frac{25}{100}$ Dollars, and charge to my account.
 S 20 $\frac{25}{100}$ M. Dark.

73. Orders for Money, or Goods Transactions Journalized.

For incoming orders, make the person debtor who is to pay the order; and if on account, make the person creditor who gave it to us. For out-going orders, make the person debtor who received it from us, if on account; and make the person creditor who is to pay the order.

Winnipeg, March 1, 19	Sold D. King, Mdse, \$30.25; received in payment his order on M. Dark for the amount.	M. Dark Dr. - Mdse. Cr.	30	25	30	25
Winnipeg, March 1, 19	Sold D. King, Mdse, \$30.25 on an order from M. Dark.	M. Dark Dr. - Mdse. Cr.	30	25	30	25
Winnipeg, March 1, 19	Received from D. King on account an order on M. Dark for \$30.25.	M. Dark Dr. - D. King Cr.	30	25	30	25
Winnipeg, March 1, 19	Gave D. King on account an order on M. Dark for \$30.25.	D. King Dr. - M. Dark Cr.	30	25	30	25

Set V.—D. E.—Farm Accounts (Alternative with Set IV.)

Special Features. *Farm accounting with a variety of loss and gain accounts; the use of Orders.*
Instructions:

(a) *Books to be used—Business Papers, Journal Day Book, Cash Book, and Ledger.*

(b) *Business Papers:*

1. *Inward.—Cheques on Apr. 20, Mar. 28; Bills on May 5, June 25.*

2. *Outward.—Cheques on Apr. 3, 15, May 26, Aug. 12, Sept. 10, 20, Dec. 31. Bill on Mar. 20; Notes on Mar. 1, May 1; Deposit Slip on Mar. 10; Orders on Apr. 30, June 30, Sept. 30.*

(c) *Make out business papers, journalize, and write up the Cash Book; post; take a Trial Balance; take stock; make out a Loss and Gain Statement, a Summary of the Farmer's Capital A/c, and an Asset and Liability Statement; close the Ledger as in Sets I. and II.*

Directory:

Acme Sugar Factory, The, Berlin, Ont. Dominion Machine Co., The, Toronto, Ont.

Brock Carriage Co., The, Markham, Ont. Parker Co., The Wm., Peterboro, Ont.

Dean, Jas., Ellesmere, Ont.

Red Star Seed Co., The, Guelph, Ont.

Davis, Wm., Stouffville, Ont.

All Others, Agincourt, Ont.

Ledger Lines:

¹ J. L. Graham (Cap. A/c) H+ 1	Farm Produce H+ 10	Farm Stock H+ 6
Cash H+ 14	Bills Payable H+ 3	⁴ Scholastic Bank. H+ 11
S. Pringle H+ 4	³ Farm Implements H+ 5	W. Kellow H+ 6
² Real Estate H+ 3	Expense H+ 10	Loss and Gain H- 4
T. Roberts H+ 3		

Notes.

1. The Farm Stock, Farm Implements, and Farm Produce accounts may be kept like Merchandise and Expense accounts, the Dr. side showing costs, the Cr. side showing proceeds, and each account being closed into Loss and Gain Account. (See also Section 100.)

2. A Market or Farm Produce Book should be kept for the details of Petty Sales. From this book the totals would be transferred to the books of account, say, once every month. No reference has been made to such a book in this set. Petty Sales for cash would be kept separate from Petty Sales on account; the items sold to each person on a/c would be kept by themselves and transferred each month in totals to the Journal, or even directly to the Ledger.

3. An Expense Book might also be kept in the same way for details, cash items being kept separate from those on a/c; cases of barter (See May 12) would be entered in the Petty Cash Sales and also in the Petty Cash Expense. Sales and purchases of Farm Stock would be entered in the Journal.

Transactions—Set V.

Agincourt, March 1, 19 . . . J. L. Graham has this day commenced to keep a set of books for the purpose of recording the transactions of his farm business.

Assets: Cash \$450; Real Estate—Farm of 100 acres valued at \$80 per acre, Buildings valued at \$3500; Farm Stock \$1000; Farm Implements \$650; Farm Produce—Grain, Hay, etc., \$300.

Liabilities: Note favour of J. Miller, dated Feb. 9 at 6 months for \$600; amount due W. Kellow on a/c \$20.

March 10. Arranged to open an account with the Scholastic Bank, Agincourt, and deposited the following: 10 × \$2, 20 × \$10, and coin \$10.

Mar. 20. Sold to the Red Star Seed Co. for cash 200 bu. Seed Oats @ 55c.

Apr. 1. Engaged T. Roberts and S. Pringle as farm hands for 8 months at \$25 per month each.

Apr. 3. Bought from S. Fensom, Seed Grain \$25, and gave cheque in payment.

- Apr. 15. Paid insurance premium with cheque \$7.50, to the Atlas Fire Insurance Co.
 Apr. 20. Sold to the William Parker Co. for their cheque on the Merchants Bank, 16 Hogs, 2850# @ 6½c. Deposited the cheque in the Bank.
 Apr. 30. Gave S. Pringle on a/c an order for goods on W. Kellow for \$40.
 May 1. Bought from the Brock Carriage Co. on my note at 5 months, 1 Heavy Wagon \$90.
 May 5. Paid Jas. Dean, Blacksmith's bill to date in cash: Apr. 10, Shoeing Horses \$2.25;
 Apr. 25, Repairs to Plow \$1.85; May 1, 3 Plow Shares \$1.50.
 May 12. Sold to D. Marcus, Butter and Eggs \$10.50, and traded them out in Groceries.
 May 23. Paid W. Kellow on a/c \$25 in cash.
 May 26. Bought from the Dominion Machine Co., 1 Hay Rake \$35; gave cheque in payment.
 Sold Farm Produce to W. Kellow on a/c \$21.20.
 June 1. Sold to W. D. Peterson for cash, 12 Cattle @ \$60. Deposited \$700 in Bank.
 June 25. Bought from W. Kellow on a/c 125# Sugar @ 5c.; 16½ yds. Shirting @ 16c.;
 6½ yds. Tweed @ 90c.; 2 prs. Shoes @ \$1.75.
 June 30. Gave T. Roberts an order for goods on W. Kellow for \$15 on account of wages.
 July 18. Bought from M. Ellis for cash 4 Cattle at \$22.50.
 July 30. Petty Cash Sales of Farm Produce for June and July \$75.
 Aug. 12. Paid with cheque my note favour of J. Miller, due to-day.
 Sept. 5. Paid J. Miller for 2 days' Threshing \$22.50 cash.
 Sept. 10. Bought from T. McMurray with cheque, 100 Lambs @ \$3.75.
 Sept. 20. Bought of J. Ellis with cheque, 6 tons Coal @ \$6.50.
 Sept. 30. Petty Cash Sales of Farm Produce for August and September \$80.
 Gave S. Pringle an order for goods on W. Kellow for \$20.
 Oct. 4. Paid my note favour of the Brock Carriage Co. in cash.
 Oct. 30. Sold to the Acme Sugar Factory for cash, 1 car load of Sugar Beets \$120. Paid freight in cash \$16.50. (Charge Farm Produce.) Paid Taxes for the year in cash \$72.
 Nov. 10. Paid W. Kellow in full of a/c \$37.04 cash.
 Nov. 28. Sold W. D. Peterson for his cheque, 98 Lambs @ \$5.10. Deposited cheque in Bank.
 Nov. 30. Paid T. Roberts and S. Pringle balance due them, with cheque \$. Petty Cash Sales of Farm Produce for October and November, \$40.
 Dec. 31. Paid church subscription to the Treasurer, M. Sinclair, with cheque \$25.

INVENTORIES taken Dec. 31, 19

Asset Inventories:

<i>Real Estate</i>	-	-	\$11500	<i>Farm Implements</i>	-	-	\$725
<i>Farm Stock</i>	-	-	900	<i>Farm Produce</i>	-	-	325

Results: Net Gain \$629.91; Net Capital \$13009.91.

74. Business Papers Promissory Notes and Drafts.

A promissory note is a promise to pay; a draft is a request to pay.

The parties to a promissory note are: (1) the *maker*, who signs the note and promises to pay it, (2) the *payee*, who is to receive the payment; when the payee writes his name across the back of the note he becomes the *first endorser*. In the following note, S. Cleaver is the maker, and B. Pearson is the payee and first endorser.

The parties to a draft are: (1) the *drawer*, who makes the request and signs the draft, (2) the *drawee*, who is requested to pay, and afterward becomes the *acceptor*, (3) the *payee*, who is to receive the payment; when the payee writes his name across the back he becomes the *first endorser*. In the following draft, Pupil is the drawer, M. Sinclair is the drawee (and afterward the acceptor), and R. Bruce is the payee and first endorser.

(1) PROMISSORY NOTE.

\$125⁰⁰

Brandon, April 1, 19

Three months after date I promise to pay
to the order of R. Pearson
at the Dominion Bank here
One Hundred and Twenty five $\frac{50}{100}$ Dollars
with interest at seven per cent. per annum
for value received. J. Cleaver.

(2) DRAFT "AFTER DATE."

\$275⁰⁰

Halifax, April 1, 19

Thirty days after date pay to
the order of R. Bruce
Two Hundred and Seventy Five $\frac{00}{100}$ Dollars
for value received, and charge to account of
To M. Sinclair.
Montreal, Que. Pupil.

DRAFT "AFTER SIGHT."

8275	Halifax, April 1, 19—
Thirty days	after sight pay to
the order of the Dominion Bank	
Two Hundred and Seventy Five	100 Dollars
for value received, and charge to account of	
To M. Sinclair.	
Montreal, Que.	Pupil.

Business men generally draw the drafts on their customers in favour of themselves, thus, "pay to *cash*" or order, or in favour of their bank as in the foregoing example (v.). When the draft is to be placed with the bank for collection or discount, the second method is preferable.

75. Acceptance of Drafts.

In the foregoing draft, M. Sinclair is not liable for the amount until he accepts it, that is, writes his name, with or without the word *accepted*, across the face of the draft, preferably in red ink. (See the example in Section 27.) By this act he *accepts* the terms of the draft—he agrees to pay the amount. The draft now becomes an *accepted draft* or *acceptance*; the term *acceptance* may mean either the writing across the face of the draft, or the whole draft after it is accepted. In the examples given, it is Pupil's *draft*, but it is M. Sinclair's *acceptance*.

76. Examples of Acceptance.

Form I. is sufficient to make M. Sinclair liable, but Form II. is the one recommended by accountants. "Thirty days *after sight*" means "thirty days *after acceptance*," so that the date must be added to the acceptance in this case, to fix the due date; "thirty days *after date*" means thirty days after the date of the draft at the top, and therefore the date of acceptance is not necessary to fix the due date. It is considered better, however, to add both date and place of payment to all acceptances. Form III. changes the amount, and Form IV. changes the time.

I. *Accepted.*

M. Sinclair.

III. *Accepted, April 3, 19—.*

For Two Hundred Dollars.

M. Sinclair.

II. *Accepted, April 3, 19—,*

Payable at the Dominion Bank.

M. Sinclair.

IV. *Accepted, April 3, 19—,*

Payable sixty days after date.

M. Sinclair.

77 (a). Kinds of Promissory Notes.

- (1). *Individual Note*.—One signed by a single person. See example in Sec. 74.
- (2). *Joint Note*.—One signed by two or more persons, each of whom promises to pay an equal share. In the *individual note*, change "I" to "we jointly," and add one or more signatures, and it becomes a *joint note*.
- (3). *Joint and Several Note*.—One signed by two or more parties, each of whom promises to pay an equal share, or the whole amount if the others fail to pay. In the *individual note*, change "I" to "we jointly and severally" and add one or more signatures; or leave the "I" and simply add more signatures, and it becomes a *joint and several note*.
- (4). *Marksman's Note*.—One signed with a mark by a person who cannot write. There should be a witness to the signature, and the note should be read and explained in the presence of the witness.

his
P. X Spencer.
mark.

Witness: R. Saunders.

- (5). *Lien Note*.—One, which besides promising to pay, contains a clause giving the payee a lien or claim on the article for which the note was given. In case of failure to pay at maturity, the seller may regain possession of the goods, and the buyer loses what he has paid thereon. The buyer may not sell the article until the note is fully paid; the note is negotiable. (See Section 79 on negotiability.)

(b) Kinds of Drafts.

A draft commencing "Thirty days after date" or "Thirty days after sight" is called a *time draft*; one commencing "At sight" is called a *sight draft*; one commencing "On demand" is called a *demand draft*. We may also speak of time notes and demand notes.

78 (a). Days of Grace and Due Date.

The law allows three days, called *days of grace*, over and above the time specified, in all notes and drafts, excepting those on demand and those containing such words as *without grace*.

A note or accepted draft is legally due on the last day of grace, unless that day should be a legal holiday or non-judicial day, in which case it falls due on the next business day thereafter.

(b) Finding the Due Date.

(1). *Time to Run in Days*.—Reckon the number of days to run, together with the three days of grace, forward from the date of the note, or from the date of the draft drawn so many days "after date"; but in the case of drafts drawn "at sight" or so many days "after sight," reckon forward from the date of acceptance. Drafts drawn "at sight" may be accepted, which allows the acceptor three days in which to provide the money; they are usually, however, paid on presentation.

(2). *Time to Run in Months*.—Reckon as in the following examples: a note, dated Jan. 3 at 3 months, is nominally due on April 3, and legally due and payable on April 6;* a note, dated Jan. 31 at 1 month, would be nominally due on Feb. 31, but as there are only twenty-eight days in February, it is nominally due on Feb. 28, and legally due and payable on March 3; a note, dated Jan 31 at 3 months, is nominally due on April 30, and legally due and payable on May 3.

* In 1912 the dates would be Feb. 29 instead of Feb. 28, and March 4 instead of March 3 (Sunday).

79. Negotiable, Non-negotiable and Assignable.

A business paper is negotiable when it can be transferred by the payee with full title. Promissory notes, drafts, cheques, etc., having "or bearer" or "or order" after the payee's name are said to be negotiable; those having "or bearer" may be transferred by the payee without endorsement; those having "or order" must be endorsed by the payee before he can transfer them. The expressions "to James Hill" and "to the order of James Hill" are held in law to mean the same as the expression "to James Hill or order."

A business paper is non-negotiable when it cannot be transferred with full title. It is then said to be assignable; the payee can give only as good a title as he himself has; the paper is subject to any counter-claim which the payer may have against the original payee. A paper is non-negotiable, or assignable when the word "only" or some such limiting term follows the payee's name.

If the word "bearer" be crossed out in, say, a bank cheque, the word "order" is understood and need not be written above. It is not allowable for anyone to cross out the words "order" or "only" and to substitute "bearer," excepting the payer, and he should initial the change.

80. Endorsement.

When endorsing paper, it should be turned over, with the left-hand end up, and the name written on the back, well above the middle. The purpose of the endorsement is two-fold: (1) that the payee may be able to transfer the paper, and (2) that the payee may be held liable in case the maker or acceptor should fail to pay.

81. Collection and Discount.

Business men generally arrange with the bank to collect their customers' notes and acceptances. The bank charges a small fee of $\frac{1}{8}\%$, more or less according to circumstances.

If, however, business men need ready money they discount the drafts drawn on their customers or the notes given by their customers. The bank places the proceeds to their credit at once, and they may then draw cheques on the amount. Discounting is more expensive than collection by the bank; but when the paper is placed for collection, the proceeds are available only when it is due and paid. Drafts are usually discounted before they are accepted by the drawee; the bank obtains the acceptance afterward; if dishonoured the bank charges them back to the drawer.

82. Dishonour, Protest and Discharge.

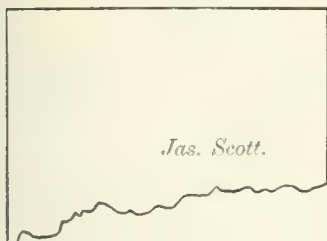
A note is said to be dishonoured by non-payment, and a draft by non-acceptance or non-payment.

When a note or draft is dishonoured, it is necessary for the holder to notify the endorser of the note, or the endorser and drawer of the draft, of the dishonour, if he wishes to hold them liable for the amount. He may do this verbally, by letter, or by protesting; protesting is the notice given by a notary public. This notice must be given or mailed not later than the next business day after dishonour.

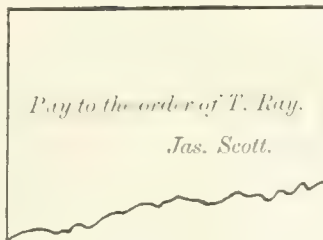
A note or draft is said to be discharged when paid by, or in behalf of, the maker or acceptor.

83. Examples of Endorsement.

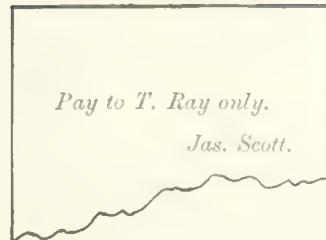
1. Blank.



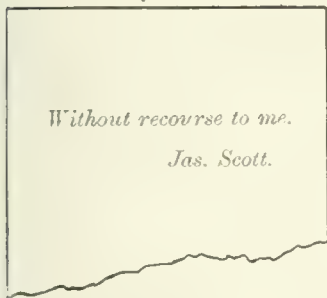
2. Full.



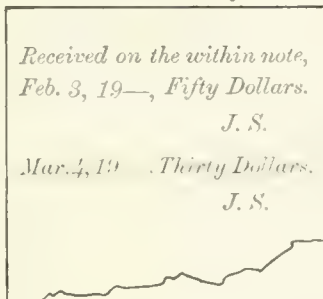
3. Restrictive.



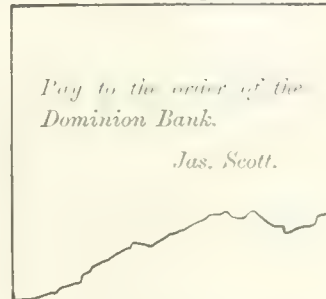
4. Qualified.



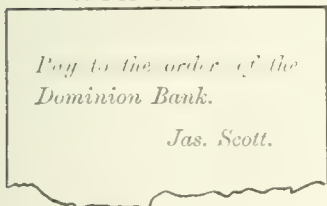
5. For Partial Payment.



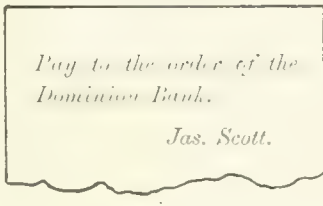
6. For Deposit.



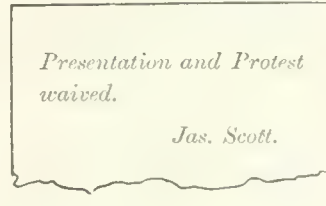
7. For Collection.



8. For Discount.



9. Waiving of Protest.



KINDS.

- (1). *Blank*
- (2). *Full*
- (3). *Restrictive*
- (4). *Qualified*
- (5). *For partial payment*
- (6). *For deposit*
- (7). *For collection*
- (8). *For discount*
- (9). *Waiving of Protest*

EFFECTS.

- Makes it payable to bearer and holds Jas. Scott liable in case the maker fails to pay.
- Requires T. Ray to endorse before he can transfer, and holds Jas. Scott liable.
- Prevents T. Ray from transferring it with full title; he may assign it only. Jas. Scott is liable.
- Makes it payable to bearer, and frees Jas. Scott from liability.
- Acts as a receipt for payments thereon. The initials should be signed; if the name were signed in full, it would be payable to bearer.
- Prevents fraudulent cashing. It must be deposited. Banks object to the form "For deposit only."
- Used when notes or drafts are placed with the bank for collection.
- Used when notes or drafts are discounted and the proceeds deposited.
- Holds Jas. Scott liable without protest or notice, in case the maker fails to pay.

(2)
Pay to the order of T. Ray.
Jas. Scott.

APPLICATION.

- (1) To Notes: 1, 2, 3, 4, 5, 7, 8, 9.
- (2) To Drafts: 1, 2, 3, 4, 5, 7, 8, 9.
- (3) To Checks: 1, 2, 3, 6.

into, Jan. 4, 19—
etc. I promise to pay
Scott,
and Fifty *Dollars*
M. Sinclair.

84. Bill Book.

The Bills Receivable Book is a detailed record of other persons' notes and acceptances received and afterward disposed of by our business.

The Bills Payable Book is a detailed record of our own notes and acceptances issued and afterward redeemed by our business.

These records should be made from the notes and drafts themselves as they lie before us, from bills receivable when received, and from bills payable when issued; the last column is filled in at the time of payment. Bill Books differ very much in form in the various offices, but the following general form is most suitable for the learner, as it will not only teach him the parties to a note or draft, but will enable him to understand any form of Bill Book; this form is used as an auxiliary book, that is, as a book of record from which no posting is done; through it the bookkeeper keeps track of the due dates, so that he may present the bills receivable for payment at the proper time, or have the necessary funds ready to meet the bills payable. In the form in Section 121, it is used as a principal book, and is really a Bill Journal from which posting is done.

85. Form of Bill Book—Used as an Auxiliary Book.

The Bills Receivable, recorded below, are from Examples 2 and 3 in Sec. 86, and April 6 in Set VI. The Bills Payable are from Examples 5 and 6 in Sec. 86, and April 1 in Set VI. In the "Begins to Run" column is placed the date from which the *time to run* is reckoned. For drafts drawn payable "after date," enter the date of the draft as in Bills Rec. 1, and Bills Pay. 2; for drafts drawn payable "after sight," enter the date of acceptance, as in Bills Rec. 2 and Bills Pay. 1. An entry is made for "Endorser (note)," only when some outside party endorses as extra security; he is liable in case the maker fails to pay, just as the drawer of a draft is liable if the drawee fails to pay.

For the present, the Pupil may omit from his Bill Book the heading "Endorser (note)," leaving the single heading "Drawer (draft)."

BILLS

No.	WHEN RECEIVED	ENDORSER (NOTE). DRAWER (DRAFT).	MAKER (NOTE). DRAWEE (DRAFT).	PAYEE (NOTE). PAYEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.		
					Place.	Bank.	Month.	Year.	
1	April	1	Ourselves.	R. Spence.	Ourselves.	Stratford	His office	April	1 19—
2	"	1	R. Spence.	K. Marshall.	"	Dundas	Dominion	April	3 19—
3	"	6	"	F. McDermid	"	Guelph	His office	April	6 19—

BILLS

No.	WHEN GIVEN.	ENDORSER (NOTE). DRAWER (DRAFT).	MAKER (NOTE). DRAWEE (DRAFT).	PAYEE (NOTE). PAYEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.		
					Place.	Bank.	Month.	Year.	
1	April	1	E. Morrison & Co.	Ourselves	M. Carter	Toronto	Imperial	April	1 19—
2	"	1	E. Morrison & Co.	"	E. Morrison & Co.	Toronto	Our office	April	29 19—
3	Feb.	19	"	D. Peterson	Guelph	Scholastic	Feb.	19	19—

86. Drafts—Transactions Journalized.

(1). <i>Hamilton, April 1, 19—.</i> Drew a draft at 10 days on R. Spence, Stratford, in favour of M. Ford for \$100.	M. Ford R. Spence	100 100
(2). <i>Hamilton, April 1, 19—.</i> Drew a draft at 10 days on R. Spence, Stratford, in favour of ourselves for \$100. (Accepted Apr. 3.)	Bills Rec. R. Spence	100 100
(3). <i>Hamilton, April 1, 19—.</i> Received from R. Spence, Stratford, on acct., a 10-days' sight draft on K. Marshall, Dundas, in our favour, for \$100. (Accepted Apr. 3, payable at the Dominion Bank.)	Bills Rec. R. Spence	100 100
(4). <i>Hamilton, April 1, 19—.</i> Received from R. Spence on acct., a sight draft on K. Marshall, in our favour, for \$100.	Cash R. Spence	100 100
(5). <i>Toronto, April 1, 19—.</i> Accepted E. Morrison & Co's draft at 20 days' sight, in favour of M. Carter, city, for \$200, payable at the Imperial Bank. (Draft is dated March 29.)	E. Morrison & Co. Bills Pay.	200 200
(6). <i>Toronto, April 1, 19—.</i> Bought from E. Morrison & Co., Montreal, Mdse. \$200, on our acceptance at 20 days, in their favour. (Draft is dated April 10, being dated forward.)	Mdse. Bills Pay.	200 200
(7). <i>Toronto, April 1, 19—.</i> Remitted to E. Morrison & Co., on acct., a draft at 1 mo. on D. Sparks, Montreal, in their favour, for \$200.	E. Morrison & Co. D. Sparks	200 200
(8). <i>Toronto, April 1, 19—.</i> Paid E. Morrison & Co's sight draft on us, in favour of D. Millar, city, for \$200.	E. Morrison & Co. Cash	200 200

Remarks—1. In actual business, Example 6 would be put through the personal account, as follows: Mdse. Dr. \$200, and E. Morrison & Co. Cr. \$200; E. Morrison & Co. Dr. \$200, and Bills Pay. Cr. \$200.

2. The Pupil should have all inward and outward notes, drafts, and cheques properly endorsed. Notes and time drafts should be endorsed on their due dates, or at the time of settlement or transfer; sight drafts and cheques may be endorsed when first written out, since they are not again mentioned in the sets. He should endorse only those outward papers which will be returned to him.

RECEIVABLE.

TIME TO RUN.	WHEN DUE.												Rate Int.	AMOUNT.	DISPOSED OF	
	Year.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.		When.	How.
10 dys.	19—				15									100	Apr. 15	Cash
10 dys' sight	19—				16									100	Apr. 16	Cash
30 dys.	19—					9								270	May 9	Settled

PAYABLE.

TIME TO RUN.	WHEN DUE.												Rate Int.	AMOUNT.	REDEEMED.	
	Year.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.		When.	How.
20 dys' sight	19—				24									200	Apr. 24	Cheque
20 dys.	19—					3								200	May 3	Bank draft
60 dys.	19—				22									100	Apr. 22	Cash

Set VI.—D. E.—Grocery and Provision Business.

Special Features. *Use of drafts. Introduction of the Bill Book as an auxiliary book.*

Instructions :

- (1) *Books to be used—Business Papers, Journal Day Book, Cash Book, Bill Book, and Ledger.*
- (2) *Business Papers*
 1. *Inward—Notes on April 1, 5, 9, 22. Cheques on April 4, 11. Drafts on April 2, 19, 20.*
 2. *Outward—Note on April 1. Deposit Slip on Apr. 5. Cheques on Apr. 3, 6, 13, 18, 25, 26, 29. Drafts on Apr. 4, 10, 17, 24, 25. Invoices on Apr. 4, 6, 9, 11, 12, 15, 22.*
- (3) *Make out business papers, journalize, and write up the Cash Book and Bill Book; post; take a Trial Balance; take stock; make Financial Statements (Loss and Gain, Summary, and Asset and Liability); close the Ledger. Personal Accounts should be closed when they balance. Leave room for the accounts of Set VII. under those of Set VI.*
- (4) *In the business papers and in the Bill Book, make all your own notes and acceptances payable at your own Bank, and make other persons' notes and acceptances payable at their own town or city. Consult the calendars on pages 102 to 104 when determining the due dates. When the last day of grace falls on a Sunday, or any legal holiday, take the next business day following as due date.*

Directory :

Bain, S., St. Mary's, Ont.

Smith, W. D. & Co., Limited, Toronto, Ont.

Mason, P. & Co., Hamilton, Ont.

Mathews, R., St. Mary's, Ont.

Peterson, D., Galt, Ont.

Simpson, D., Stratford, Ont.

Williams, R., Galt, Ont.

All Others, Guelph, Ont.

Ledger Lines for Sets VI. and VII.

The first number shows the lines or spaces necessary for Set VI., and the second number the extra lines necessary for Set VII. The cipher shows that such accounts are not used in that Set.

¹ <i>Pupil (Capital A/c)</i> $H + 6 + 5$	⁵ <i>Bills Payable</i> $H + 4 + 3$	<i>Real Estate</i> $H + 0 + 4$
<i>F. Medland</i> $H + 1 + 5$	<i>Bills Receivable</i> $H + 5 + 5$	<i>Scholastic Bank</i>
<i>R. Williams</i> $H + 4 + 0$	<i>D. Simpson</i> $H + 4 + 0$	<i>(London)</i> $H + 0 + 10$
² <i>Cash</i> $H + 11 + 15$	<i>Scholastic Bank</i>	<i>R. Mathews</i> $H + 0 + 3$
³ <i>Merchandise</i> $H + 13 + 10$	<i>(Guelph)</i> $H + 10 + 1$	<i>Mdse. Discount</i> $H + 0 + 4$
⁴ <i>F. Sinclair</i> $H + 2 + 3$	<i>D. Peterson</i> $H + 4 + 0$	<i>Loss & Gain (May)</i> $H + 0 + 5$
<i>Expense</i> $H + 6 + 5$	<i>Loss & Gain (April)</i> $H + 4 + 0$	
<i>P. Mason & Co.</i> $H + 4 + 0$	<i>Interest & Discount</i> $H + 0 + 4$	

Transactions—Set VI.

Guelph, April 1, 19—. Pupil commences the Grocery and Provision Business at No. 37 Upper Wyndham St.

Assets: Cash, \$4000; Mdse., \$2000; note against R. Williams, dated March 14, 19—, at 30 days, \$120.

Liabilities: Balance due P. Mason & Co., \$350; balance due F. Medland, \$270; note favour of D. Peterson, dated Feb. 19, 19—, at 60 days, payable at the Scholastic Bank, \$100.

2. Leased from R. Grant the above named store at \$360 per annum, payable monthly. Engaged M. Wilson at \$35 per month.

3. Deposited in the Scholastic Bank 150 @ \$2, 200 @ \$5, 30 @ \$50, 6 @ \$100, com. \$30.27
cheques, \$50.42 and \$19.31.
Bought from W. D. Smith & Co. with cheque, set of books for office, \$18.
4. Bought from P. Mason & Co., of Mdse. \$500 as per Inv. dated April 3.
Sold R. Williams for his cheque on the Traders Bank, 300# Cheese @ 11c.; 500# S. C.
Ham @ 13c.
Accepted P. Mason & Co.'s draft on us, dated April 3 at 12 days, favour of F. Proctor
for \$300.
6. Withdrew for private use, cash \$30.
Insured our stock of goods in the British America Assurance Co., and paid premium \$20
with cheque.
Sold D. Simpson on a/c, 400# Mocha Coffee @ 18c.; 10 bbls. Flour @ \$6.
Sold F. Medland on his note at 30 days, 1000# Gran. Sugar @ 5½c.; 20 bxs. N. P. Soap
@ \$2.50.
9. Drew a draft on D. Simpson in our favour at 10 days, on a/c for \$60.
Sold S. Bain on his note at 20 days, 500# Butter @ 20c.
10. Bought from P. Mason & Co., Mdse. \$150, as per Inv. dated Apr. 6.; accepted their draft
at 30 days' sight in payment.
Invoice and draft will be dated April 6, but the acceptance will be dated April 10.
11. Sold K. Spiers for cash, 60# Y. H. Tea @ 30c.; 120# Currants @ 4c.
Received from D. Simpson on a/c, his cheque for \$50, on the Molsons Bank.
12. Sold R. Williams on a/c, 400 gals. G. Syrup @ 20c.; 2400# Cheese at 10c.
Bought from D. Peterson, Mdse. \$175, as per Inv. dated Apr. 10; gave in part payment
cash \$20, balance on a/c.
13. Paid P. Mason & Co. on a/c, cash \$130.
Bought from L. Muir with cheque, desk for office \$70.
15. Sent D. Peterson on a/c, a sight draft in his favour, drawn on R. Williams for \$100.
Sold F. Sinclair on a/c, 1000# Rio Coffee @ 16c.; 500# Lard at 9c.
16. R. Williams paid his note of March 14 in cash \$120.
17. Took goods from store for private use, \$50.
Goods damaged by rain to the extent of \$30. (Make no entry. Why?)
Had a ten dollar bill burned. (Make an entry. Why?)
18. Paid our acceptance of the 4th inst. with cheque.
19. Received from R. Williams on a/c, a sight draft on H. Crane, in our favour, for \$200.
20. Paid in cash D. Peterson's sight draft on us, dated April 18, in favour of C. Frost, \$33.
22. Sold D. Simpson on his note at 2 months, payable at the Merchants Bank, 10 bxs. Raisins
@ \$1.50; 50 bbls. Flour @ \$6.50.
Paid cash \$60 on our note of Feb. 19, and requested D. Peterson to wait 3 days for the
balance.
D. Simpson requests us to wait one day for the payment of his acceptance of the 9th inst.
23. D. Simpson paid his acceptance in cash \$60.
24. Bought from D. Peterson, Mdse. \$160, as per Inv. dated Apr. 22; accepted his draft at 12
days in his favour, in payment.
25. Paid the balance of our note of Feb. 19, with cheque.

26. R. Williams paid the balance of his a/c in cash.
Settled our a/c with P. Mason & Co. with cheque.
27. Gave D. Peterson on a/c, a draft at 10 days' sight on D. Simpson for \$22.
Sold office desk to F. Sinclair for \$60; received \$20 cash in part payment, balance on a/c.
29. Paid April rent of store with cheque.
Paid M. Wilson his month's salary in goods from store.

INVENTORY taken April 30, 19—.

Asset Inventory:

Merchandise, 1000# Cheese @ 8c.	100 bbls. Flour @ \$5.50
800# Ham @ 11c.	95 lbs. N.P. Soap @ \$2.00
1500# Coffee @ 14c.	80 gals. G. Syrup @ 15c.
2515# G. Sugar @ 4c.	50 bbs. Raisins @ \$1.25
800# Y.H. Tea @ 25c.	500# Currants @ 3½c.

Results. Net Gain \$175.40; Net Capital \$5495.40.

87. Interest and Discount.

These are loss and gain accounts. *Interest* is the price of the use of money; *discount* is an allowance off a note, invoice, or account for prepayment, or for other reasons. (See pp. 3 and 4 of the Preface.) *Interest* and *discount* on notes or loans are posted to *Interest and Discount A/c*, which is closed into *Loss and Gain A/c*. *Cash discounts* on purchases or sales of merchandise are posted to *Merchandise Discount A/c*, which is closed into *Merchandise A/c*; cash discounts might, indeed, be posted direct to *Merchandise A/c*.

Rule.—Make Interest Account debtor when interest is a cost, and creditor when it is a proceeds. Make Discount Account debtor when discount is a cost, and creditor when it is a proceeds.

88. Interest and Discount—Transactions Journalized.

(1.) May 1. Paid my note \$100 and the interest thereon \$5, in cash.	Bills Pay.	100		
	Interest	5		
	Cash		105	
(2.) May 2. R. Smith paid his note for \$200 and the interest thereon \$8, in cash.	Cash	208		
	Bills Rec.		200	
	Interest		8	
(3.) May 3. Prepaid my note of \$100 in cash, discount allowed 8¢.	Bills Pay.	100		
	Cash		94	
	Discount		6	
(4.) May 4. R. Smith prepaid his note of \$200 in cash, discount allowed \$8.50.	Cash	191 50		
	Discount	8 50		
	Bills Rec.		200	
(5.) May 6. Settled my account of \$150 with D. Robb, in cash; he allowed 5% discount.	D. Robb	150		
	Cash		142 50	
	Mdse. Discount		7 50	
(6.) May 7. Sold F. Somers' Mdse. \$200 for cash; allowed him 5% discount.	Cash	291		
	Mdse. Discount	9		
	Mdse.		300	

INVENTORIES taken May 31.

Asset Inventory Interest accrued on Bills Rec., \$2.50.
Liability Inventory: " " " Bills Pay., \$3.25.

89. Ledger for.....Interest and Discount.

May 1	62	7		May 1	62	8	
	62	8	50		62	6	
			16				16
*31 Inventory	62		50	*31 Inventory	62		50
			16	*31 Loss		1	16
June 1 Inventory	62		50	June 1 Inventory	62		50

90. Ledger for.....Merchandise Discount.

May 1	62	9		May 1	62		
				*31 Merchandise		1	

Red ink for these lines.

91. Inventories.

All loss and gain accounts may or may not have Inventories, of which there are two kinds—Asset Inventories and Liability Inventories. An Asset Inventory is a value belonging to the business, not shown in the Trial Balance, such as, Mdse. on hand, Real Estate on hand, Rent or Salaries prepaid, Interest Receivable accrued (on Bills Receivable, etc., bearing interest), Discount Receivable (on Bills Payable, etc., not yet due). A Liability Inventory is a debt owing by the business, not shown in the Trial Balance, such as, Rent or Salaries due by the business, Interest Payable accrued (on Bills Payable, etc., bearing interest), Discount Payable (on Bills Receivable, etc., not yet due).

Asset Inventories are placed on the Cr. side in red ink; and, after closing, are brought down in black ink on the Dr. side for the next month. Liability Inventories are placed on the Dr. side in red ink; and, after closing, are brought down in black ink on the Cr. side for the next month.

These Inventories are placed on their *wrong* sides in red ink, to find the gain or the loss; they are afterward brought down on their right sides in black ink, as assets or liabilities.

92. Financial Statements—Treatment of Inventories.

The Statements in Sections 93, 94 and 95 show how to treat the two kinds of Inventories. These statements are made from the following Trial Balance and Inventories, which have no connection with any of the given sets. The Pupil may select any one of the three forms, but should understand all; the columnar statement—Form 3, is not much used in actual business.

TRIAL BALANCE, May 1, 1900				INVENTORIES, May 1, 1900			
		Dr.	Cr.				
21	Payrol (Cap. Acc.)			Asset Inventories:			
21	T. Masson	40	25	Merchandise on hand		\$1700	
22	R. Palmer		60	Real Estate on hand		2000	
22	Bills Receivable	330		Interest Receivable, accrued on Bills Rec.		200	
22	Bills Payable		250				
23	Cash	1000		Liability Inventories:			
24	Merchandise		3960	Expenses, accrued, carrying down			1000
24	Expenses	240		Interest Payable, accrued on Bills Pay.			200
24	Real Estate	2000					
24	Interest and Discount		20				
		9086	9086				

NOTE. See Section 46 (a).

93. Financial Statement—Form I.

(a) STATEMENT OF LOSSES AND GAINS, May 31, 19 .

Losses			Gains		
Expenses	20		Merchandise	1110	40
Interest and Discount	1	75	Real Estate	100	
*Pupil's Net Gain	988	65			
	1219	40		1210	40

(b) SUMMARY OF PUPIL'S ACCOUNT.

*Net Capital	5388		Net Credit	4400	
			Gain	988	65
				5388	65

(c) STATEMENT OF ASSETS AND LIABILITIES.

Assets			Liabilities		
T. Musson	510	75	R. Palmer	404	60
Bills Receivable	330		Bills Payable	250	
Cash	1633		Expense, salary due	30	
Merchandise	1500	75	Interest Payable accrued	3	25
Real Estate	2100		Pupil's Net Capital	5388	65
Interest Receivable	2	50			
	6076	50		6076	50

Remarks

1. The Loss and Gain Statement is made from the loss and gain accounts marked thus (x) in the Trial Balance; add the Inventories to the proper side (See Sec. 91), and then take the difference; a Dr. difference is a loss and a Cr. difference is a gain. The Asset and Liability statement is made from the asset and liability accounts in the Trial Balance; a Dr. difference is an asset and a Cr. difference is a liability; an Asset Inventory is also an asset, and a Liability Inventory is also a liability; Pupil's Net Capital, from the "Summary," is a liability of the business, and when placed on the liability side of the statement, will balance it.
2. Notice that the Loss and Gain Statement is the same as the Loss and Gain Account in the Ledger. The bookkeeper hands the statements to the proprietor, and then closes the loss and gain accounts, and the proprietor's account, in the Ledger so as to separate the gains and losses of one year from the succeeding one.
3. Since the purpose of *closing the books* is to determine the Net Gain or the Net Loss, and the Net Worth or the Net Insolvency, there is no necessity for closing any of the asset and liability accounts in the Ledger, unless it be Cash and Bank Accounts. Cash Account is closed because the Cash Book is closed periodically, as a check on the cash drawer; Bank Account is closed as a check on the Bank Pass Book, which is balanced monthly. These accounts are not usually entered in the Ledger; the Cash Book is made to answer for the Cash Account, and Bank Account may be kept as indicated in Sections 113 and 114.

94. Financial Statement—Form II.

(a) STATEMENT OF LOSSES AND GAINS, May 31, 1911

	Debits.	Credits.
<i>Gains.</i>		
Merchandise	1110	
Real Estate		1210
<i>Losses.</i>		
Expenses	220	
Interest and Discount	75	
Pupil's Net Gain		988

(b) SUMMARY OF PUPIL'S ACCOUNT

Pupil's Net Credit		988
" " Gain	- 11	988
" " Capital		988

(c) STATEMENT OF ASSETS AND LIABILITIES.

	Debits.	Credits.
<i>Assets.</i>		
T. Musson	510 25	
Bills Receivable	330	
Cash	1633	
Merchandise	1500 75	
Real Estate	2100	
Interest Receivable accrued		6076
<i>Liabilities.</i>		
R. Palmer	250 60	
Bills Payable	250	
Expenses, salary due	30	
Interest Payable accrued		75
Pupil's Net Capital	5388 65	

95. Financial Statement—Form III.

FINANCIAL STATEMENT, May 31, 1911.

Trial Balance

Statement of

Statement of

L.F.	DR.	CR.	Inventories	Losses.	Gains.	Assets.	Liabilities.
21 Pupil (Capital A/c)		4400					
21 T. Musson	510 25					510 25	
22 R. Palmer		250 60					250 60
22 Bills Receivable	330					330	
22 Bills Payable		250					250
23 Cash	1633					1633	
23 Merchandise	4350 75	1000 70	A.1500 75			1500 75	
24 Expenses	220	50	L. 30	220			30
24 Real Estate	2000		A.2100		100	2100	
24 Interest and Discount	75 50	21 50	11 75	75		50	3 75
	9086 70	9086 50		221 75	1210 70	6076 50	687 85
*Net Gain				*988 00			
(Summary)				1210 70	1210 70		
Pupil's Net Credit		4400					
" " Gain		988 65					
" " Capital		5388 65					5388 65
						6076 50	687 85 50

Red ink.

A = Asset

L = Liability.

Set VII.—D. E.—Grocery and Provision Business.

Special Features. *Continuation of Set VI.: Transactions involving Interest and Discount.*

Instructions:

- (a) *Books to be used—Business Papers, Journal (short for Journal Day Book), Cash Book, Bill Book, and Ledger.*
- (b) *Business Papers.*
1. *Inward. —Notes on May 13, 15, 21; Cheques on May 11, 28 (drawn on any bank); Drafts on May 10, 17, 29.*
 2. *Outward. —Cheques on May 3, 4, 7, 8, 13, 16, 31; Drafts on May 7, 9, 14, 20; Invoices on May 6, 10, 15, 18, 21, 28; Deposit Slip on May 31.*
- (c) *Make out business papers, journalize, and write up the Cash Book and Bill Book; post; take a Trial Balance; take stock; make Financial Statements; close the Ledger.*

Directory:

Bain, S., St. Mary's, Ont.

Dempster, F., Ingersoll, Ont.

Mathews, R., St. Mary's, Ont.

Medland, F., Guelph, Ont.

Mason, P. & Co., Hamilton, Ont.

Peterson, D., Galt, Ont.

Sinclair, F., Guelph, Ont.

All Others, London, Ont.

Transactions—Set VII.

London, May 1, 19—. Pupil has removed from Guelph to London, and continues the Grocery and Provision Business at # 167 Dundas Street.

2. Engaged H. Jordan as clerk at \$40 per month, and B. Davids as bookkeeper at \$60 per month.

S. Bain paid his note of the 9th ult. in cash, \$100.

3. Drew a cheque on the Scholastic Bank in Guelph for the balance on deposit there, and deposited it in the Scholastic Bank in London.

4. Paid freight to Grand Trunk Railway Co., for moving expenses, cheque \$125. (Expense Dr.) Petty Cash sales for the week, \$160.

6. Sold R. Mathews on a/c, 400# Tapioca @ 4c.; 300# Mixed Nuts @ 14c.

7. Paid our acceptance of the 24th ult. with cheque, \$160.

Drew a draft at 10 days' sight on F. Sinclair in favour of F. Medland, for \$100.

8. Bought the Store and Lot we now occupy, from G. Scott for \$2100, giving cash \$500 and cheque for balance.

Insured Store and contents in the Royal Insurance Co. for \$1500 at $\frac{1}{2}$ premium; paid premium with cheque. (Expense A/c.)

9. Bought from F. Medland on our acceptance at 10 days, bearing interest at 7% per annum, Mdse. \$180, as per Inv. dated to-day.

Paid for Telegram 25c.

10. Sold W. Taylor for cash, less 3% discount, 10 bbls. Mess Pork @ \$11; 14 bbls. Russet Apples @ \$5. (Merchandise Discount A/c. See Sections 87 and 88.)

Sold F. Sinclair for his sight draft on D. Horsman, 25 bbls. Y. Sugar, 240# each, @ 4c.; 100 bbls. Salt @ 60c.

11. F. Medland settled his note of the 6th ult., giving his cheque for \$100, and requesting that the balance be placed to his debit, against what we owe him on a/c. (Is this note due?)

Petty Cash sales for the week, \$150.

Received a legacy of \$500 cash from the estate of John Scott and invested it in the business.

13. Loaned F. Dempster cash \$400 on his note at 4 months, bearing interest at 6% per annum. Bought from F. Medland on a/c, Mdse. \$650, as per Inv. dated May 11.
Paid our acceptance of the 10th ult. with cheque, \$150.
14. Drew a draft on R. Mathews at 10 days, in favour of F. Medland for \$50.
15. Sold R. Mathews on his note at 2 months, payable at the Bank of Commerce, 5 bbls. Coal Oil, 40 gals ea. @ 12c.; 20 sacks Oatmeal, 200# ea. @ 2½c.
16. Paid F. Medland in full of account with cheque; he allowed 3% off.
17. Received from F. Sinclair on a/c, a sight draft on C. Ross for \$100, dated May 16.
18. Sold R. Mathews, 600# Salada Ceylon Tea @ 35c.; received in part payment cash \$50, balance on a/c.
Petty Cash sales for the week, \$165.
20. Bought from F. Medland, Mdse. \$875 as per Inv. dated May 18; accepted his draft at 30 days in favour of W. Dixon, in payment.
21. Sold C. Main 100 tubs Butter, 50# ea. @ 18c.; received his note at 2 months, bearing interest at 6% per annum, in payment.
22. Paid our acceptance of the 9th inst. \$180, and interest 45c., in cash.
23. Paid for painting private residence, \$30 from cash drawer.
25. Theft from cash drawer, \$25.
Petty Cash sales, \$281.99.
28. Sold F. Sinclair, 120 bxs. Raisins @ \$1.50; 15 sacks Patna Rice, 200# ea. @ 2½c.; received his cheque for the amount, less 3% discount.
29. Drew a 30-day draft on R. Mathews in our own favour, to close his account. (Is the amount \$168?)
30. Fire destroyed \$500 worth of goods; received insurance \$357 cash. (Should any entry be made for the \$500?)
31. Deposited in bank 30 × \$1, 40 × \$2, 3 × \$4, 80 × \$5, 70 × \$10, 5 × \$20, 3 × \$50, 2 × \$100; coin \$180.65; cheques \$100 and \$247.35.
Paid salaries with cheques.

INVENTORIES taken May 31, 1900

Asset Inventories:

<i>Merchandise.</i>	500# Tapioca @ 3c.	5 bbls. Sugar, 240# ea. @ 3½c.
	150# Mixed Nuts @ 10c.	5 bbls. C. Oil, 40 gals. ea. @ 11c.
	1 bbls. Mess Pork @ \$10.	10 sacks Oatmeal, 200# ea. @ 2c.
	10 bbls. Apples @ 8½.	200# Patna Rice @ 2½c.

Real Estate.—Store and Lot, valued now at \$2150.

Interest Rec.—Accrued on Bills Rec. 6 and 8, \$2,665.

Results.—Net Loss \$36,471. Net Capital \$592,395.

96. Cash Book Used as a Cash Journal.

In the example in Section 97, which is the Cash Book for Set VIII., the Cash Book is used as a posting medium; previous to this it has been used as an *auxiliary* book (See Sec. 60). Notice on the Dr. side, that *Cash* is Dr. (Debtor) for \$4944.60, and that *Pupil, F. Simpson, Dry Goods*, etc., are Cr. (Creditor) for the amounts opposite to them respectively; notice on the Cr. side, that *Cash* is Cr. for \$4877.35, and that *Scholastic Bank, E. Denton & Co., Dry Goods*, etc., are Dr. for the

amounts opposite to them respectively. Cash is posted in two totals, and the amounts for the other accounts separately. The Cash Book may, however, be considered as the Cash Account for the Ledger, in which case the cash totals need not be posted; the cash totals or the cash balance, would then be entered in the trial balance directly from the Cash Book. It will be well now to call the Cash Book by the name *Cash Journal*.

All purely cash transactions are to be entered in the Cash Journal only; for example, the entries on the Dr. side for June 7, 15, etc., will not be found in the Journal.

Transactions in which Cash and other accounts are jointly concerned are to be entered both in the Cash Journal and the Journal. The following, which are not purely cash transactions, are the journal entries for June 1, 6, 8, 18, 21, and 29; it will be seen that the *Cash* in the Journal is marked "C" in the folio column, and is not to be posted, since it will be posted from the Cash Journal; and also that *Pupil, J. Munro, S. Marks, etc.*, in the Cash Journal, are marked "J" in the folio column, and are not to be posted, since they will be posted from the Journal. Another method of dealing with these transactions would be to separate them each into two parts, one for the Cash Journal, and the other for the Journal; this method will be exemplified at a later stage.

June 1-5				June 18			
C	Cash	3000		C	Cash	50	
J	Dry Goods	1500		C	Bills Rec.	128	
C	Boots and Shoes	500		J	J. Munro		208
C	Groceries	3500					
J	Office Furniture	150		C	Cash	30	
	Prepaid (Cap. Acc.)		1150	C	Bills Rec.	128	90
J	E. Denton & Co.	200		J	S. Marks		159 90
C	Cash		75				
S	Scholarship Bond		125	S	Expense	50	
				C	Cash		50
J	Prepaid (Cap. Acc.)			J	L. Martin		10
C	Cash		30				
	Dry Goods		75				

97 (a). Cash Journal for Set VIII.

CASH				Dr.	
L. F.	Accounts Cr.	Explanations		Items.	Totals.
19—					
June 1	J Pupil	Invested		3000	
7	F. Simpson	On account		50	
15	5 Dry Goods	Petty sales		110	
15	6 Boots and Shoes	" "		90	
15	6 Groceries	" "		350	
17	6 Bills Receivable	No. 1		104	
18	J J. Munro	On account		50	
21	6 Pupil	Invested		500	
21	J S. Marks	On account		30	
25	J J. Munro	" "		25	
25	5 Dry Goods	Sold damaged goods		20	
27	6 Bills Rec.	No. 2 prepaid		26 60	
29	6 Dry Goods	Petty sales		140	
29	6 Boots and Shoes	" "		104	
29	6 Groceries	" "		345	2944 60
29	S Cash		Dr.		2944 60

(b) Exercise on the Cash Journal.

Make Cash Journal entries for the following, balance, foot, rule, and bring the balance down: Stratford, July 2, 19— . Pupil invested \$3000.

3. Deposited in the Scholastic Bank, cash \$2700.
4. Bought from D. Sparrow for cash, Mdse. \$250, as per Inv. dated June 29.
5. Sold M. Dinnick Mdse. \$550 ; received in part payment, cash \$175, balance on a/c.
6. Paid for Stamps and Stationery, cash \$4.50.
8. Discounted W. Parker's note ; face \$200, discount \$5.30 ; proceeds received in cash.
9. Received from J. Campbell in full of a/c, cash \$110.60.
10. Prepaid our note with cash ; face \$160.50, discount \$4.10.
11. Paid M. Robertson on a/c, cash \$87.30.
12. S. Gilmour paid his note due to-day, with cheque \$165.75.

98. Putting Discounts Through the Cash Journal.

The transaction on June 27 may be put through the Cash Journal instead of the Journal. On the Dr. side, enter the total amount for Bills Rec. (\$26.60) as though it were all received ; and on the Cr. side, enter the Discount (35c.) as though it were so much cash given back.

99. Purchases and Sales for Cash or Note.

It is usual in actual business to put a transaction through the Personal Account when paid with cash, note, or acceptance, at the time of purchase or sale. The transaction on June 25 would be entered first in the Journal,—J. Munro Dr. \$25 and Groceries Cr. \$25 ; and then in the Cash Journal,—Cash Dr. \$25 and J. Munro Cr. \$25. The purpose of this is to have a record of all large transactions with regular customers, in case an order is to be duplicated, or some other information is desired. Of course, petty cash sales are not put through the Personal Accounts.

100. Department Accounts.

Some stores, called *departmental stores*, keep many lines of goods, and separate their stock into several departments, such as Dry Goods Department, Boots and Shoes Department, Groceries Department, etc. For each of these departments they have a corresponding account—Dry Goods A/c, etc. ; each account is treated in the same way as Merchandise A/c. When Expense A/c is separated into various accounts, such as Rent, Furniture, etc., each is treated in the same way as Expense A/c.

		CASH		Cr.	
L.F.		Accounts Dr.	Explanations.	Items	Totals
June	3	S	Scholastic Bank	Deposit	2700
	4	J	E. Denton & Co.	On account	250
	6	S	Dry Goods	Freight	12
	8	J	Pupil	Withdraw	4
	12	S	Boots and Shoes	Freight	10
	12	J	L. Martin	On account	10
	22	S	Scholastic Bank	Deposited	1400
	27	J	Discount	On B. R. 2	35
	29	J	Expense	Clerk's salary	25
	29	S	Scholastic Bank	Deposit	600
	29	S	Cash		
			* Balance		
				Cr.	
					4877 47
					4877 47
					4877 47

Set VIII.—D. E.—General Store Business.

Special Features.—*Division of Merchandise Account into Dry Goods, Boots and Shoes, and Groceries Accounts, and Expense Account into Office Furniture, Rent, Insurance, and General Expense Accounts. Use of the Cash Book as a Cash Journal or posting medium.*

Instructions :

(a) *Books to be used—Business Papers, Journal, Cash Journal, Bill Book, and Ledger.*

(b) *Business Papers*

1. *Inward.*—Notes on June 8, 14, 18; Cheques on June 3, 4, 11, 18, 21, 24 (drawn on various banks); Drafts on June 7, 17, 21; Order on June 19.

2. *Outward.*—Note on June 1; Cheques on June 3, 6, 10, 11, 12, 17, 19; Drafts on June 7, 14, 24; Deposit Slips on June 3, 22, 29; Invoices on June 4, 5, 6, 10, 13, 14, 19, 25.

(c) *Make out business papers, and make entries in Journal, Cash Journal, and Bill Book; post; take a Trial Balance; take stock; make Financial Statements; close the Ledger.*

Directory :

Black, R., Listowel, Ont.

Denton, E. & Co., Toronto, Ont.

Green, W., Galt, Ont.

Munro, J., Woodstock, Ont.

Marks, S., Seaforth, Ont.

Phillips, F., Seaforth, Ont.

Rogers, E. & Co., Hamilton, Ont.

Simpson, F., St. Mary's, Ont.

All Others, Stratford, Ont.

Ledger Lines :

¹ Pupil (Capital A/c)H+ 6	Bills PayableH+ 4	S. MarksH+ 4
GroceriesH+ 9	InsuranceH+ 4	RentH+ 4
E. Denton & Co.H+ 6	Scholastic BankH+ 10	Bills ReceivableH+ 5
Dry GoodsH+ 14	F. SimpsonH+ 3	⁶ E. Rogers & Co.H+ 2
Boots and ShoesH+ 10	R. BlackH+ 2	L. MartinH+ 2
Office FurnitureH+ 4	General ExpenseH+ 3	CashH+ 4
Interest and DiscountH+ 6	J. MunroH+ 4	Loss and GainH+ 8

Transactions—Set VIII.

Stratford, June 1, 19—. Pupil leases store # 75 Wellington Street from D. Winters at \$720 per annum, payable quarterly in advance, and opens up a General Store Business.

Assets: Cash \$3000; Dry Goods \$1500; Boots and Shoes \$500; Groceries \$2000; Office Furniture \$150.

Liabilities: Balance due to E. Denton & Co. on a/c, \$300; note favour of W. Green for \$219, dated April 5, 19—, at two months, bearing interest at 6% per annum; interest accrued on this note \$2.05.

3. Deposited in the Scholastic Bank 5 × \$4, 100 × \$5, 48 × \$10, 20 × \$50, 5 × \$100; coin \$99.75; cheque for \$100.25, made by M. Spanner.

Took out an insurance policy for \$3000, in the Queen Insurance Co., at $\frac{1}{2}$ premium; paid premium with cheque.

Engaged L. Martin as clerk at \$50 per month.

4. Sold F. Simpson on a/c, 15 prs. Ladies' Shoes @ \$2.25 ; 50 yds. Blk. Lustre @ 50c.
Sold R. Black on a/c, 1 bbl. G. Syrup, 40 gals. @ 35c. ; 60 yds. Navy Blue Serge @ \$1.50.
5. Bought from E. Denton & Co. on a/c, Dry Goods \$292 as per Invoice dated June 3.
Sold J. Munro on a/c, 200 yds. Can. Tweed @ \$1.25 ; 5 bbls. Sugar, 240# each, @ 4c.
6. Paid E. Denton & Co. on a/c, cash \$75, cheque \$125.
Sold S. Marks on a/c, 50 prs. Ladies' Shoes @ \$1.50 ; 150 yds. Blue Denim @ 20c.
Paid the G. T. R. freight on Dry Goods, \$12 cash.
7. Received from F. Simpson on a/c, cheque \$20, and a sight draft on A. Barnes for \$30.
Accepted E. Denton & Co's draft on us, dated June 3 at 30 days' sight for amount of Inv. of the 5th, \$292. (Due July 10.)
8. Took for private use cash, \$30 ; Dry Goods, \$25.
We have requested W. Green to extend the date of payment of our note of April 5, to the 10th inst.
Received from R. Black on a/c, his note, dated to-day at 5 days for \$104.
10. Paid our note of April 5 and interest, with cheque ; face \$219, interest \$2.38 (Test this).
Sold S. Marks on a/c, 5 bbls. Flour @ \$5.50 ; 1 bbl. XX Vinegar, 40 gals. @ 16c.
11. Bought from E. Rogers & Co. on a/c, Boots and Shoes as per Inv. dated June 8, \$300.
Paid rent of store to Aug. 31, with cheque \$180.
12. Paid the G. T. R. freight on Boots and Shoes, with cash \$10.
Paid E. Rogers & Co., with cheque, the amount of Invoice of the 11th inst.
Advanced L. Martin \$10 cash on his salary.

Since L. Martin is paid at an irregular time, put the amount through his personal account — L. Martin Dr. and Cash Cr. If he were paid weekly, we would then say — Expense Dr. and Cash Cr.

13. Sold J. Munro on a/c, 4 doz. prs. Men's Rubbers @ \$5 ; 6 doz. Gilt Edge Shoe Polish @ \$1.10.
14. Remitted E. Denton & Co. on a/c, a 30-day sight draft on S. Marks for \$50.
Sold F. Simpson on a/c, 20 gr. Thread @ \$3.75 ; 800 yds. Shirting @ 15c.
Received from J. Munro on a/c, his note, dated June 13 at 3 months for \$26.60.
15. Petty cash sales for two weeks, Dry Goods \$110 ; Boots and Shoes \$90 ; Groceries \$350.
17. Prepaid our acceptance of the 7th inst. with cheque ; discount at 6%. (Is discount \$1.10 or \$1.12 ?)
R. Black paid his note of the 8th, with cheque.
Drew a draft at 30 days on S. Marks, for \$73 ; discounted it at 7% and deposited the proceeds. (Is discount 46c. or 48c. ?)
18. Received from J. Munro on a/c, his cheque \$50, and his note, dated to-day at 60 days for \$248.
19. Sold F. Phillips on an order from S. Marks, 120 yds. Canton Flannel @ 20c. ; 10 Men's Fall Overcoats @ \$12.
Paid for advertising with cheque \$10.
20. Sold half of the lot belonging to private residence for \$500 cash, and invested the amount in the business.
Bought from E. Denton & Co. on a/c, Dry Goods as per Inv. dated June 18, \$500.
21. Received from S. Marks to close his a/c, cheque \$30, and his draft, dated June 19 at 7 days on E. Denton & Co., in our favour, for the balance.
22. Deposited $6 \times \$1$, $25 \times \$2$, $14 \times \$10$, $10 \times \$20$, $16 \times \$50$, and the incoming cheques on June 7, 17, 18, 21.

- Took for private use, Dry Goods \$20; Boots and Shoes \$15.
24. Accepted E. Denton & Co.'s draft on us, dated June 24 at 30 days, for \$300.
25. Sold J. Munro for cash, 1 bbl. Currants, 250# @ 4c.; 10 bxs. Raisins @ \$1.50.
- Put this through the personal account—See Section 39.
26. Rain damaged Dry Goods worth \$60; sold them for \$20 cash.
27. J. Munro prepaid his note of the 14th with cheque; discount at 6%. (Is the discount 35c. or 36c.? Fractions under $\frac{1}{2}$ c. are dropped.)
28. F. Simpson returned 5 gr. Thread sold him on the 14th.
29. Place the amount of E. Denton & Co.'s acceptance on the 21st, which is due to day, to the debit of their a/c, against what we owe them.
- Petty cash sales for two weeks, Dry Goods \$140; Boots and Shoes \$104; Groceries \$345.
- Paid L. Martin the balance of his salary in cash.
- Make Expense In, \$20; Martin Cr, \$10; and Cash Cr, \$10.
- Deposited $30 \times \$1, 50 \times \$2, 20 \times \$5, 15 \times \$10, 1 \times \$50, 1 \times \100 ; coin \$43.75; cheque on 27th.

INVENTORIES taken June 29, 19—.

Asset Inventories:

Dry Goods	\$1438.22
Boots and Shoes	435.55
Groceries	1354.40
Office Furniture	140.00
Rent—2 months prepaid	120.00
Insurance—11 months unexpired	13.75
Discount—6% for unexpired time on B. P. 3	1.38

Liability Inventory.

Discount—6% for unexpired time on B. R. 3	2.12
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Results. Net Gain, \$1726½. Net Capital, \$7211.59.

101. Business Papers—Bank Draft, Bill of Exchange, and Requisition Form.

Inland or Domestic Bills of Exchange are commonly called Drafts; they are drawn and payable in the same country. Foreign Bills of Exchange are commonly called, simply Bills of Exchange; they are drawn in one country and are payable in another. Bills of Exchange on the United States of America are, however, called drafts because of the similarity of currency and the proximity of the country. These names apply whether drawn by persons on persons, or by banks on banks.

When a bank in Canada draws upon another bank in Canada, the paper is called a Bank Draft; but when the second bank is an English or other European bank, the paper is called a Bill of Exchange.

(a) BANK DRAFT.

Scholastic Bank\$100⁰⁰

St. John, N.B., July 3, 19—

Pay to The Dominion Plating Co. or Order

One Hundred $\frac{00}{100}$ Dollars

and charge to the account of this Bank.

To The Scholastic Bank,
Toronto, Ont.J. J. Crable, Manager,
E. E. Switzer, Accountant.

(b) BILL OF EXCHANGE.

The Dominion Bank

£100 Sterling.

Toronto, July 2, 19—

On Demand of this First of Exchange (second unpaid)

pay to the order of James Procter

One Hundred Pounds..... Sterling

as advised.

The National Bank of Scotland,
London, E.C.R. Price, Manager,
M. Parker, Accountant.

Suppose that D. Procter of St. John, wishes to send \$100 to The Dominion Plating Co. of Toronto. He obtains a Bank Draft for the purpose, as follows: He steps into, say, the Scholastic Bank and fills in a Bank Draft Requisition Form, as shown in (c) on the next page; the amount of exchange and the total are filled in by a bank clerk. He presents this at the wicket, and on payment of the amount specified in the Requisition, a bank clerk makes out and hands him a form similar to that shown in (a) above; this he will mail to The Dominion Plating Co.

Scholastic Bank*St. John. N.B., July, 3, 19**Required, a draft on Toronto.**In favour of The Dominion Plating Co.**For the sum of One Hundred Dollars.**Applicant L. Precter.*

No.	Par	\$100.00
Exchange	$1\frac{1}{4}$	per c. \$.25
		<u>\$100.25</u>

102. Bank Drafts—Transactions Journalized.

(1). Sent D. R. Graham on a c. a bank draft purchased with cash	D. R. Graham -	100	
\$100. Exchange 25c.	Expens -		25
	Cash -		100 25
(2). Received from D. R. Graham on a c. bank draft for \$100.	Cash	100	
	D. R. Graham -		100

103. Remitting Cash.

1. *By Registered Letter.*—Registered letters are numbered and entered in special books so that they may be traced along the mail routes. Should a registered letter be lost or stolen, the post office authorities make a search for it, but if unsuccessful, the sender has himself to bear the loss.

2. *By Postal Note.*—Postal Notes are orders issued by one post office on another post office, requesting it to pay the desired amount. They are used for sending any amount up to \$10, to any place in Canada or the United States. They are made for set amounts, 20c., 30c., etc.; for odd cents, from one to nine, postage stamps may be affixed to the face of the Postal Note. If a Postal Note or any of the following forms be lost, after being properly filled in, a duplicate can be obtained.

3. *By Post Office Money Order.*—These are orders by one post office on another post office and are used for sending any amount up to \$100, to any country in the postal union.

4. *By Express Money Order.*—These are orders by one express office on another express office.

5. *By Bank Cheque.*—Since Bank Cheques are drawn by a depositor on funds in the home bank, they are intended for making local payments only. Should a cheque be sent to a person in another town he would have to pay exchange to any bank cashing it for him. Occasionally, however, a firm arranges to have its cheques payable at par in other towns.

6. *By Bank Draft.*—These are orders by one bank on another bank at a distance. A person wishing to send money by this method, buys a Bank Draft; for this he pays the face amount and a small sum ($\frac{1}{4}$ or more) for the banker's trouble. A small sum is charged as commission or exchange, in the other cases also.

7. *By Bank Money Order.* These are orders by one bank on another bank. They are intended for small amounts, whereas Bank Drafts are intended for larger amounts.

104. Cash Remittance Papers—Specimens.

NOT NEGOTIABLE.

CANADIAN POSTAL NOTE. A 272040
20c.

Pay to the POSTMASTER *Halifax, N.S.*

PAY to *Wm. Graham*

TWENTY CENTS on account of the *Postmaster General of Canada*

A Phillips

POSTMASTER'S RECEIPT

ISSUING OFFICE

STAMP HERE

POST OFFICE MONEY ORDER.

BLOOR STREET (Toronto), Ont. No 5292

CANADIAN MONEY ORDER.
MANDAT DE POSTE CANADIEN

3575

PAY to the person mentioned in advice (PAYEE) a sum of (amount in figures) *3575*

Thirty-five Dollars

Seventy-five Cents

London, Eng.

By Marshall

Received the above sum—(Reçu le montant ci-dessus)

EXPRESS MONEY ORDER.

Series **F 3684**

The Canadian Express Company

AGREES TO TRANSMIT AND

Pay to the order of *Chas. Proctor, Montreal, Que.*

The sum of *Forty-three*

COUNTER-SIGNED *B. Patterson,* AGENT *J. W. Horton*

ISSUED AT *Montreal, Que.* PROV. OF *Ont.*

DATE *September 30, 19--* *B. Sinclair*

PAYABLE IN EUROPE BY

MARKED CHEQUE.

1c 35 *Toronto, Ont., Feb. 28, 19--*

The Dominion Bank.

Pay *B. M. Spencer* or *Bearer.*

One Hundred and twenty-five Dollars.

(in full of a/c to date)

\$175.25 *B. Thompson*

BANK DRAFT

No 389. **The Dominion Bank.** \$ *137.50*

Winnipeg, Man., Sept. 3, 19--

Pay to the order of *A. McIntosh & Co., New York*

One Hundred and thirty-seven Dollars.

for value received which charge to account with advice.

TO **THE NATIONAL CITY BANK,** 52 WALL STREET, NEW YORK.

D. P. Calder, MANAGER

Peter H. Rat

BANK MONEY ORDER.

CANADIAN BANKERS ASSOCIATION.

THE CANADIAN BANK OF COMMERCE

Victoria, B.C., Oct. 7, 19-- No. D. *2501*

Pay to the order of *John Drygall, New York*

the sum of *137.50* Dollars

TO **THE CANADIAN BANK OF COMMERCE** MONTREAL, QUE.

W. Harrison

The Cheque above is called a *Marked* or *Accepted Cheque*, because of "*25c. A. Mc.*" written across the left-hand end; the "*246*" is the page of B. Thompson's A c in the bank ledger, and "A. Mc." are the ledger keeper's initials; the ledger keeper takes the amount from B. Thompson's A c and reserves it to pay the cheque. Notice that "*Bearer*" is crossed out; the word "*Order*" is understood and need not be written above.

105. Two Accounts for the Proprietor.

It is generally better to keep two accounts in the Ledger for the Proprietor—one for his investments and larger withdrawals, and one for small sums and goods taken for private use. Example: "D. Proctor (Capital A/c)"; "D. Proctor (Private A/c)". When closing the books, the Private A/c should be closed into the Capital A/c.

106. Freight.

The cost of Merchandise laid down in the store or warehouse includes freight, as well as invoice price. Freight may be dealt with in two ways: (1) Journalize it as Merchandise; (2) Journalize it as Freight, and close the Freight A/c into the Merchandise A/c, when closing the books.

107. Sales Journal or Sales Book.

All sales of Merchandise are entered in this book whether settled for at the time or not. It is used as a posting medium, from which each person named is debited in the Ledger for the amount sold him, and from which also Merchandise is credited for the total amount of the month's sales. When a person pays for the goods at the time of the sale, say with cash, he is debited through the Sales Journal for the amount of the sale, and credited through the Cash Journal for the cash payment; if he pay with note or acceptance he will be credited through the Journal, or through the Bill Journal when used as a posting medium. Notice that the Cash Book and the Bill Book are called respectively *Cash Journal* and *Bill Journal* when used as posting media. In the example in Section 108, the entries are for transactions in Set IX. Petty Cash Sales are entered in the Cash Journal only.

108. Example of Sales Journal.

Notice the two methods of entering the details: (1) By placing them even with the name, and (2) by indenting them an inch or less.

Notice also the two methods of dating: (1) By placing the dates at the side with an extra column for the Ledger Folio; in which case the heading may then be "Merchandise Sales Cr.," or simply "Sales Journal." (2) By placing the dates between the entries, and leaving the column at the side for the Ledger Folio; the heading should then be "St. John, July 3, 19—." The pupil may select any of these methods.

MERCHANDISE (Sales).						Cr.	
L.F.	Accounts Debit					Items	Totals.
July	22	K. Clarke, Moncton, on a/c, 30 days.					
		8 Gold Watches	-	-	-	30 ⁰⁰	24
		6 doz. Silver Plated Tassoons	-	-	-	7	11
							261
	28	E. Evers, Fredericton, on a/c, 30 days					
		10 Marble Clocks	-	-	-	20 ⁰⁰	200
		1 doz. Alarm Clocks	-	-	-	9	60
							209
							60
		R. Johnston, Chatham, on a/c, 30 days.					
		18 pcs. Silverware assorted	-	-	-	7	7
		14 doz. Silver Plated Knives	-	-	-	63	11
		D. Proctor (Private A/c).					
		Silverware assorted	-	-	-		50
	31	K. Clarke, Moncton, on a/c, 30 days.					
		1 doz. Watch Chains	-	-	-	75	75
		15 Ladies' Gold Watches	-	-	-	200	275
		Carried forward	-	-	-		275

MERCHANDISE SALES.

Cr.

		Brought forward		
11	E. Evans, Fredericton, on a c., 10 days.			
	1 doz. Ladies' Gold Rings	12	51	
	6 doz. Gentlemen's Watch Pendants	12	72	
		24		
19	R. Johnston, Chatham, on a c., 30 days.			
	2 doz. Eight Day Clocks, ea.		96	
	1 " Silver Watches, ea.	100	360	
		20		
28	E. Evans, Fredericton, on a c., 30 days.			
	8 Marble Clocks		80	
		22		
40	R. Johnston, Chatham, cash.			
	Job Lot of Goods			
		67		
20	Pupil, city, on a c.			
	1 Silver Watch			
		25		
28	E. Evans, Fredericton, draft at 3 days.			
	1 doz. Fancy Card Receivers, ea.		20	
	6 " Napkin Rings		180	
	Merchandise	Cr.		600

Remarks.

1. Notice that the Sales Journal is much the same as the Cr. side of the Cash Journal. Merchandise is Cr. (Creditor) for the total sales, just as Cash is Cr. for the total payments; and the other accounts opposite the dates are Dr. (Debtor) both in the Sales Journal and the Cash Journal.
2. The date in the Sales Journal may be placed down the centre, as done in the last five entries—July 13 to 25, instead of down the left-hand side; the ruling, paging, and dating will then be the same as in the ordinary Journal on page 30; in either case, be sure to leave a space between the entries.
3. The Heading at the top may be "Merchandise Sales Cr." or "Sales Journal" or "St. John, N.B., July 3, 19—." The foregoing form of Sales Journal will, however, be simpler as a first step for the student.

109. Purchase Journal or Invoice Book.

All purchases of Merchandise are entered in this book, whether settled for at the time or not. It is used as a posting medium, from which each person named is credited for the amount purchased from him, and from which also, Merchandise is debited for the total amount of the month's purchases. When we pay for the goods at the time of purchase, say with cash, the person we purchase from is credited through the Purchase Journal for the amount of the purchase, and is debited through the Cash Journal for the cash payment; if we pay with note or acceptance he will be debited through the Journal, or through the Bill Journal if it be used as a posting medium. See Section 99.

There are two forms of Purchase Journal in general use. One form is wider than the ordinary Invoice so that the Invoices may be pasted in, and leave room to rule a money column on the right; the amounts of the Invoice are extended into this column and totalled; each person is credited for the amount purchased from him, and Merchandise is debited for the monthly total. The other form, of which there are many variations, is illustrated in Section 110; the July entries are from Set IX.; the August entries do not belong to any set.

110. Example of Purchase Journal.

		MERCHANDISE (PURCHASES).		Dr.	
L. F.		Accounts Creditor.	Date of Invoice and Terms.	Items.	Totals.
<i>July</i>					
	J.	D. Proctor (Capital A/c)	Investment		2800
1	41	G. Sharma & Co.	June 29 15 days		850
10	50	Dominion Plating Co.	July 6 30 days		600
28	57	G. Sloane & Co.	July 16 15 days		280
31	71		Merchandise	Dr.	2000
<i>Aug</i>					
1	1	A. McIntyre & Co.	July 30 10 days	150 25	
			" 30 "	25 50	425 75
2	2	J. M. Foster & Co.	July 31 Cash	200	
			" Draft, 30 days	150 50	350 50
3	43	O. T. Mathew & Co.	Aug. 1 Cash	125 50	
			" Note, 2 mos.	100	200 50
31	44		Merchandise	Dr.	1000 25

- Remarks.* 1. The Purchase Journal is much the same as the Dr. side of the Cash Journal. Merchandise is Dr. for the total purchases, just as Cash is Dr. for the total receipts, and the other accounts opposite the dates are Cr. both in the Purchase Journal and the Cash Journal.
2. The Heading at the top may be "Merchandise Purchases Dr." or "Purchase Journal" or "St. John, N.B., July 2, 19—."
3. The bookkeeper does not enter the details of the Invoices in the Purchase Journal, since he has the Invoices themselves for reference. He places the Invoices of each firm together, and files them away according to number, or in order of their dates.
4. Although the terms may be *cash* or *note*, still the cash or note may not be received until some days later. In the entry on Aug. 3, the Invoice and goods were received on the date of purchase; the terms are *cash* and *note at 2 mos.*; now whether the cash and note are given at once or some days later, the entry should be put through the personal account. See Section 99.

Set IX.—D. E.—Wholesale Jewellery Business.

Special Features.—*Use of Sales Journal and Purchase Journal. Two accounts for the Proprietor—"D. Proctor (Capital A/c)" and "D. Proctor (Private A/c)." Transactions introducing Bank Drafts and Exchange.*

Instructions:

- (a) *Books to be used: Business Papers, Journal, Sales Journal, Purchase Journal, Cash Journal, Bill Book, and Ledger.*
- (b) *Business Papers:*
- Inward.*—Notes on July 13, 16, 29; Cheques on July 13, 22; Drafts on July 15, 16, 22, 25; Bank Draft on July 26.
 - Outward.*—Notes on July 6, 17; Cheques on July 3 (two), 5, 16, 17 (two), 23, 30, (three), 31; Drafts on July 2, 9, 11, 23; Bank Drafts on July 3, 8, 23; Deposit Slip on July 2; Invoices on July 3, 5, 6, 9, 11, 13, 20, 22, 25.
- (c) *Make out business papers; make entries in Journal, Sales Journal, Purchase Journal, Cash Journal, and Bill Book; post to the Ledger; take a Trial Balance; take stock; make Financial Statements; close the Ledger.*

Directory :*American Watch Case Co., Montreal, Que.**Clarke, K., Moncton, N.B.**Dominion Plating Co., Toronto, Ont.**Dominion Show Case Co., Montreal, Que.**Evans, E., Fredericton, N.B.**Johnston, R., Chatham, N.B.**Sloane, G. & Co., Halifax, N.S.**All Others, St. John, N.B.***Ledger Lines :**

¹ <i>D. Proctor (Capital A/c).</i> H + 5	² <i>Shop Furniture.</i> H + 5	⁵ <i>G. Sloane & Co.</i> H + 3
<i>Dominion Plating Co.</i> H + 5	<i>Scholastic Bank.</i> H + 12	<i>R. Johnston.</i> H + 6
<i>Real Estate.</i> H + 4	<i>D. Proctor (Private A/c).</i> H - 4	<i>Insurance.</i> H + 4
<i>Cash.</i> H + 4	⁴ <i>Dominion Show Case Co.</i> H + 2	<i>Pupil.</i> H + 3
³ <i>Merchandise.</i> H + 8	<i>Bills Payable.</i> H + 6	⁶ <i>K. Clarke.</i> H + 3
<i>Expense.</i> H + 6	<i>Interest and Discount.</i> . . H + 5	<i>Merchandise Discount.</i> . . H + 2
<i>Bills Receivable.</i> H + 7	<i>E. Evans.</i> H + 5	<i>Loss and Gain.</i> H + 5

Transactions—Set IX.

St. John, N.B., July 2, 19 . . . D. Proctor opens up a Wholesale Jewellery Business at # 69 Main Street.

Assets : Cash \$2500 ; Merchandise \$2800 ; Store # 69 Main Street, \$2000 ; Shop Furniture, \$300.

Liabilities : Balance due the Dominion Plating Co., \$450 ; draft for \$200 in favour of the American Watch Case Co., dated June 3, at 30 days' sight, accepted June 5, and payable at the Imperial Bank, Montreal.

2. Deposited cash in the Scholastic Bank, 20 × \$5, 50 × \$10, 30 × \$20, 10 × \$100 ; cheques \$125.75, \$74.25.

Engaged Pupil as bookkeeper at \$60 per month, and R. Mills and S. Dow as clerks at \$50 each per month.

3. Sold K. Clarke on a/c at 30 days, 8 Gold Watches @ \$30 ; 6 doz. Silver Plated Teaspoons @ \$3.50.

Remitted to the Dominion Plating Co. on a/c, bank draft \$100, purchased with cheque ; exchange 25c.

Paid freight \$8 with cheque, to the C. P. R., on goods ordered from G. Sloane & Co.

See Section 146

4. Bought from G. Sloane & Co. on a/c, 15 days, Mdse. \$850 as per Invoice dated June 29.

5. Sold E. Evans on a/c, 3% 10 days, 10 Marble Clocks @ \$20 ; 1 doz. Alarm Clocks @ \$9.60.

Proprietor withdrew for private use by cheque, \$30.

Enter withdrawals in "D. Proctor (Private A/c)." Close "D. Proctor (Private A/c)" and "D. Proctor (Capital A/c)." "Loss and Gain A/c" is sometimes closed into the Private A/c, and then the Private A/c into the Capital A/c.

6. Sold R. Johnston on a/c, 30 days, 18 pes. Silverware assorted @ \$3. 14 doz. Silver Plated Knives @ \$4.50.

Bought from the Dominion Show Case Co. on our note at 10 days, 3 Show Cases @ \$25.

Put this through the Personal Account, making two entries in the Journal—Shop Furniture Dr. and Dominion Show Case Co. Cr. ; Dominion Show Case Co. Dr. and Bills Payable Cr. The latter entry would be put through the Bill Book only, if used as a posting medium. See Section 99.

Paid freight on Show Cases in cash \$6 (Shop Furniture A/c).

8. Received from E. Evans, cash for bill of 5th inst., less 3% .
 Make two entries in the Cash Journal: the full amount on the one side for E. Evans, and \$6.29 on the other side for the Merchandise Discount. See example in Section 97, on June 27.
 Proprietor took for private use, Silverware \$50. (S.J.)
 Remitted bank draft, purchased with cash, to settle our acceptance of June 5, \$200; exchange $\frac{1}{2}$ % .
9. Accepted G. Sloane & Co.'s draft, dated July 4 at 10 days, for the amount of Inv. June 29, \$850.
 Sold K. Clarke on a/c, 30 days, 10 doz. Watch Chains @ \$7.50; 15 Ladies' Gold Watches @ \$20.
 Paid freight \$7 in cash, on goods ordered from the Dominion Plating Co.
10. Bought from the Dominion Plating Co. on a/c, 30 days, Mdse. \$600 as per Invoice dated July 6.
11. Sold E. Evans on a/c, 10 days, 3 doz. Ladies' Gold Rings @ \$17; 6 doz. Watch Pendants @ \$12.
 Paid N. Ross for painting done to private residence, \$10 from cash drawer.
 Gave the Dominion Plating Co. on a/c, cash \$75, and sight draft on R. Johnston for \$100. (J. and C.J.)
12. Returned to the Dominion Plating Co. defective goods, received on the 10th, \$20.
 Insured Store and contents in the Royal Assurance Co. for \$4000; paid Premium \$20 in cash.
13. Sold R. Johnston on a/c, 30 days, 2 doz. Eight Day Clocks @ \$4 ea.; 3 doz. Silver Watches @ \$10 ea.
 Petty Cash Sales for two weeks \$450.
 Received from E. Evans his cheque for \$50, and his note dated July 11 at 10 days for \$73, for bill of goods sold him on 11th inst.
15. Discounted E. Evans' note of the 13th at 6% and deposited the proceeds, face \$73, discount 11c.
 Drew on R. Johnston on a/c, a draft at 10 days for \$150, in our favour.
16. Loaned E. E. Switzer on his note at 6 months, bearing interest at 7% per annum, payable at the Imperial Bank, \$500 given him by cheque.
 Received from R. Johnston on a/c, a sight draft on W. Rankin for \$100.
17. Settled our acceptance of the 9th with cheque for \$400, and our note at 30 days, bearing interest at 6% per annum, for balance.
 Paid freight \$10 with cheque to the C. P. R., on goods ordered from G. Sloane & Co.
18. Bought from G. Sloane & Co. on a/c, Mdse. \$380 as per invoice dated July 16 at 15 days.
19. Settled our note of the 6th inst. in cash.
20. Sold E. Evans on a/c, 30 days, 8 Marble Clocks @ \$30.
 Deposited cash \$500.
22. Sold R. Johnston for his cheque, a job lot of Jewellery, \$150.
 Received from E. Evans on a/c, a draft at 10 days on the Dominion Plating Co. for \$240.
23. Fire destroyed Mdse. worth \$1000; received this amount on our insurance policy, and deposited the same.

- Accepted G. Sloane & Co.'s draft, dated July 18 at 10 days, for \$280, and has remitted a bank draft for \$100 purchased with cheque, exchange 25c., in payment of Mds. as per Invoice received July 18. (J. and B.B.)
24. Returned R. Johnston's dishonoured cheque received on 22nd.
Paid for fixing shelving, cash \$25.
Gave Pupil on his salary, 1 Silver Watch \$20.
Pupil's salary is not due until the end of the month, and as the payment is irregular we have sold the watch to Pupil on a/c.
25. Sold E. Evans for his draft at 3 days on the Dominion Plating Co., 1 doz. Fancy Card Receivers @ \$2 each; 6 doz. Napkin Rings @ \$1. (S.J., J. and B.B.)
Put this entry through the Personal Account. See Section 99.
26. Received from R. Johnston on a/c, bank draft \$250.
27. Paid Pupil on his salary, cash \$20.
Put through the Personal Account. See note on July 24.
29. R. Johnston paid cash \$50 on his acceptance of the 15th, and gave his note at 2 months bearing interest at 6% per annum, for the balance.
30. Paid salaries for July with cheques.
Expense Dr. Pupil's C., Semohaste Bank Cr.
31. Settled our acceptance of the 23rd with cheque, \$280.
Petty Cash Sales, \$710.
The Dominion Plating Co. requests us to place the draft of the 25th to their debit.
Deposited the balance of cash on hand, excepting \$5.

INVENTORIES taken July 31, 1901.

Asset Inventories

<i>Merchandise</i>	\$7800.75
<i>Office Furniture</i>	375.00
<i>Real Estate</i>	2100.00
<i>Insurance premium unexpired</i>	11.22
<i>Interest accrued on Bills Rec. 3 and 6</i>	1.00

Liability Inventory

<i>Interest accrued on Bills Pay. 4</i>	1.00
---	------

Results. Net Gain, \$2555.75. Net Capital, \$8000.75.

111. Partnership.

A Partnership or Co-partnership is an association of two or more persons, who agree to combine their money, labour, or skill, or any or all of them, in lawful business, and to share the profits or bear the losses, in certain proportions.

112. Partnership Accounts.

An account is opened for each partner, as "Pupil (Capital A/c)" and "A. Hamilton (Capital A/c)." A partner's account is treated similarly to that of a single proprietor, both in the opening Journal entry and in closing his account in the Ledger. An entry is made in the Loss and Gain A/c for each partner's net gain or net loss, and the amounts are then transferred to their respective Capital A/cs. Each Capital A/c is then closed in the same manner as a single proprietor's account would be closed.

113. Bank Account.

In Set XI, we shall not keep Bank A/c in the Ledger, but by the second method mentioned in Section 69, namely, on the stub ends of cheques; or the student may keep it by the third method, by making a Bank Pass Book, as shown in Section 69, and recording therein the entries of deposits and cheques, as they would be recorded by the bank ledger-keeper; or he may combine both methods.

When either of these methods is used, no distinction is then made between the cash in the office drawer and the cash on deposit in the bank; both are considered as cash on hand. Payment by cheque is then treated as payment in cash, and an entry is made in the Cash Journal just as if paid from the office cash drawer. A deposit is considered merely as moving cash from one drawer to another drawer, and no entry is made in the Cash Journal.

The second method is illustrated on the stubs of the following cheques. Deposits are added to the last balance and each cheque is subtracted, thus showing the balance in the bank. The balance in the Cash Journal includes this balance and the balance in the office drawer.

Transactions for following stubs: Aug. 3—Deposited cash, \$750; Aug. 5—Paid D. Taylor balance of a/c with cheque, \$100.50; Aug. 6—Deposited cheques \$60, \$30, and currency \$40; Aug. 8—Paid H. Pearson for Invoice of Aug. 6 with cheque, \$75.

114. Example of Bank Account on Stubs of Cheque Book.

<i>No. 1.</i>	<i>Deposited</i>	<i>750</i>	<i>No. 1.</i>	<i>Halifax, August 5, 19</i>
<i>Date</i>	<i>Aug. 5, 19</i>		<i>The Dominion Bank.</i>	
<i>Favour of</i>	<i>D. Taylor</i>		<i>Pay D. Taylor</i>	<i>or order</i>
<i>For</i>	<i>on a/c</i>		<i>One Hundred</i>	<i>Dollars</i>
<i>Amount</i>	<i>\$100 50</i>			
	<i>Bal. 649 50</i>	<i>\$750</i>		<i>R. J. Potter.</i>

<i>No. 2.</i>	<i>Bal.</i>	<i>649 50</i>	<i>No. 2.</i>	<i>Halifax, August 8, 19</i>
	<i>Dep.</i>	<i>130</i>		<i>The Dominion Bank.</i>
<i>Date</i>	<i>Aug. 8, 19</i>	<i>779 50</i>		
<i>Favour of</i>	<i>H. Pearson</i>		<i>Pay H. Pearson</i>	<i>or order</i>
<i>For</i>	<i>Inv. of Aug. 6</i>		<i>Twenty five</i>	<i>Dollars</i>
<i>Amount</i>	<i>\$75 00</i>	<i>75</i>	<i>\$75 00</i>	
	<i>Bal. 704 50</i>			<i>R. J. Potter.</i>

115. Financial Statements in Partnership.

The Statements of Losses and Gains, and of Assets and Liabilities differ from those of a single proprietor only in the closing. In the form shown in Sections 93 and 94, there would be two or more entries for the Net Gain, two or more Summaries, and two or more entries for the Net Capital—one for each partner. In the form shown in Section 95, there would be two or more Summaries—one for each partner.

116. Credit Invoice.

A Credit Invoice or Credit Note is an acknowledgment of the return of goods, of an abatement in price, or of an error in an Invoice. It is much the same in form as an Invoice, but is usually printed in red ink; the writing is done in black ink.

117. Example of Credit Invoice.

CREDIT INVOICE.

VICTORIA, B.C.,

August 1

19

Mr. James Scott

IN ACCOUNT WITH GEO. MACDONALD & CO.

1	pc. Cam. Tweed, 40 yds., returned	10	70	20		
5	gr. Cotton Thread, short Tw. July 20	20	12	50		
10	do. prs. Ladies' Cashmere Hose	10	1	00	70	70

118. Net Capital and Net Insolvency.

The Proprietor's Capital Account may be considered as an Asset and Liability Account. If, after transferring the Net Gain or the Net loss to the Proprietor's Capital Account, the Cr. side be the greater, the excess is called his Net Capital and is a liability of the business, since the business owes him this amount; if the Dr. side be the greater, the excess is called his Net Insolvency and is an asset to the business, since he must pay this amount to the business from his private means.

119. Cash Book and Bill Book—Special Forms.

Bookkeepers vary the form of the Cash Book and the Bill Book to suit different kinds of business. When used as *principal books*, that is, as posting media, they may be called Cash Journal and Bill Journal respectively.

The form of Cash Journal, shown in Section 120, illustrates the use of special columns. The check mark in the folio column indicates that Merchandise and Expense are not to be posted in separate items, but in totals from the footings of the Merchandise and Expense columns.

The form of Bill Book, shown in Section 85, is a general form and will teach the *parties* to notes and drafts. In the form of Bill Journal, shown in Section 121, a simple change is made from the form in Section 85; in the Bills Receivable Journal, the *items* are posted to the various accounts mentioned in the "Accounts Cr." column, and Bills Rec. Account is debited with the total of the "Amount" column; in the Bills Pay. Journal, the *items* are posted to the various accounts mentioned in the "Accounts Dr." column, and Bills Pay. Account is credited with the total of the "Amount" column.

If the Pupil understands the forms of Cash Book and Bill Book illustrated in the text, he will readily understand any special forms he may afterward meet with in his bookkeeping career.

120. Special Column Cash Journal.

CASH.						DR.	
No.	DATE	ACCOUNTS CR.	EXPLANATIONS.	SUNDRIES CR.	MDSE. CR.		
Sept. 3	J	A. McIntyre (Cap. A/c)	Invested	5000			
3	"	J. MacDonald (Cap. A/c)	Invested	1000			
7	"	Merchandise	Petty Sales		150		
13	"	Mdse. Discount	5% on K. H. Co's Inv. Sept. 12	9			
"	"	Merchandise	Petty Sales		225	50	
14	J	Bills Receivable	On #1	200			
16	"	Discount	5% on B.P. #3	3			
17	"	Bills Receivable	#2	78			
18	"	L. Living	Bill of the 18th	98			
21	"	Merchandise	Petty Sales		260	80	
"	"	T. Marshall	On a/c	25			
"	"	Merchandise	Petty Sales		275	60	
"	"		Merchandise	Cr. *911	911	90	
30	"		Cash	Dr. 73.4	90		
				73.4	90		
Oct	"	Balance	From Sept.	843.90			

* These items and all ruling in red ink.

† The paging in the folio column has no reference to pages in this book.

121. Bill Journal—Set XI. September.

BILLS.

No.	WHEN RECEIVED.	DATE	ACCOUNTS CR.	REMARKS.	MAKER (NOTE). DRAWEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.	
						Place.	Bank.	Month.	Year.
1	May 7	J	A. McIntyre (Cap. A/c)	Investment	P. Fellows	Winnipeg	His office	May 11	19—
2	Sept. 11	"	C. Dale	Inv. Sept. 6	C. Dale	Brandon	" "	Sept. 6	"
3	" 20	J	Bills Receivable	On B. R. I.	P. Fellows	Winnipeg	" "	Sept. 14	"

BILLS.

No.	WHEN GIVEN.	DATE	ACCOUNTS DR.	REMARKS.	PAYEE (NOTE). PAYEE (DRAFT).	PAYABLE AT		BEGINS TO RUN.	
						Place.	Bank.	Month.	Year.
1	Aug. 15	J	A. McIntyre (Cap. A/c)	Investment	R. Watkins	Winnipeg	Schol.	Aug. 15	19—
2	Sept. 10	"	B. Kuy	On a/c	J. Mason	"	"	Sept. 10	"
3	" 15	"	F. Burton & Co.	Inv. Aug. 20	F. B. & Co.	"	"	Aug. 29	"
4	" 28	"	Kent Hardware Co.	On a/c	K. H. Co.	"	"	Sept. 25	"
5	" 30	"	81						

‡ Remarks 1 The Cash Balance for September should be brought down in the wide space, to prevent double posting. When the October total, for "Cash Dr." is obtained, then the September balance should be placed in the "Sundries" column to obtain the October Balance. If the Cash Journal be taken as the Cash Account in the Ledger, then the September Balance may be extended to the "Sundries" column at once, on Oct. 1.

CASH.

CR.

Dr.	L. F.	(Accounts Dr.)	(Explanations)	Sum of Dr. & Cr.	Dr.	Cr.
Sept.		Expense	Office Books			
15	87	Kent Hardware Co.	Bank Draft on a/c -	300		
15	87	Expense	Exchange $\frac{1}{2}$			
16	87	Bills Payable	# 3 prepaid -			
16	87	Expense	Exchange $\frac{1}{2}$			
17	82	C. Rogers & Co.	Inv. Sept. 16	200		
17	77	A. McIntyre (Priv. A/c)	Withdrawn	75		
17	87	Expense	Collections, on B. R. 2			
26	74	J. MacDonald (Priv. A/c)	Withdrawn			
27	87	Expense	Gas Bill			17
28	87	Expense	Collections, on cheque			05
30	83	B. King	Bank Draft on a/c	800		
30	87	Expense	Exchange $\frac{3}{8}\%$			1
30	87	Expense	September Rent			2
30	87	Expense	Bookkeeper's Salary			7
30	87	Expense				
30	85		Cash			Dr. * 110
			* Balance			Cr. 2987
						* 4339
						7324

RECEIVABLE.

TIME TO RUN.	WHEN DUE.												Rate Int.	AMOUNT.	DISPOSED OF	
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			When	How.
4 mos.	19—								17				6	365	Sept. 17	Cashed, paid a/c B. R.
7 dys.	"								16					78	Sept. 17	Bank Collected
60 dys.	"												7	172 56		
														615 56		Bills Receivable Dr.

PAYABLE.

TIME TO RUN.	WHEN DUE.												Rate Int.	AMOUNT.	RECEIVED	
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			When	How.
60 dys.	19								17					100		
30 dys' sight.	"								17					730		
30 dys.	"								1					1460	Sept. 16	Prepaid.
30 dys.	"								28					2800		
														2800		Bills Payable Cr.

- Remarks:*
1. By leaving the Bills Rec. and Bills Pay out of the opening entry in the Journal, there would be no "J" in the folio column of the Bill Journal, and these items would then be posted from the latter book.
 2. For Bills Rec. #3, the corresponding item (\$172.56) in the Journal must be checked "B" in the folio column to prevent double posting. If this entry be separated into two parts—one for the Cash Journal and one for the Bill Journal, or if it be put through the Personal Account, there will be no overlapping. See the following examples (a), (b), (c) on the next page, of journalizing for Sept. 14.

122. Special Journal Entries for Sept. 14 Below.

a. Entry Not Separated Into Distinct Parts.	b. Entry Separated Into Distinct Parts.	(c). Entry Put Through the Personal A/c.																				
<p>(Entry for Journal.)</p> <table><tr><td>Cash</td><td>200</td></tr><tr><td>Bills Rec.</td><td>172.56</td></tr><tr><td>Bills Rec.</td><td>365</td></tr><tr><td>Interest</td><td>7.56</td></tr></table>	Cash	200	Bills Rec.	172.56	Bills Rec.	365	Interest	7.56	<p>(Entry for C. J.)</p> <table><tr><td>Cash</td><td>200</td></tr><tr><td>Bills Rec.</td><td>172.56</td></tr><tr><td>Interest</td><td>7.56</td></tr></table>	Cash	200	Bills Rec.	172.56	Interest	7.56	<p>(Entry for J.)</p> <table><tr><td>P. Fellows.</td><td>372.56</td></tr><tr><td>Bills Rec.</td><td>365</td></tr><tr><td>Interest</td><td>7.56</td></tr></table>	P. Fellows.	372.56	Bills Rec.	365	Interest	7.56
Cash	200																					
Bills Rec.	172.56																					
Bills Rec.	365																					
Interest	7.56																					
Cash	200																					
Bills Rec.	172.56																					
Interest	7.56																					
P. Fellows.	372.56																					
Bills Rec.	365																					
Interest	7.56																					
<p>(Entry for Cash J.)</p> <table><tr><td>Cash</td><td>200</td></tr><tr><td>Bills Rec.</td><td>172.56</td></tr></table>	Cash	200	Bills Rec.	172.56	<p>(Entry for B. J.)</p> <table><tr><td>Bills Rec.</td><td>172.56</td></tr><tr><td>Bills Rec.</td><td>172.56</td></tr></table>	Bills Rec.	172.56	Bills Rec.	172.56	<p>(Entry for C. J.)</p> <table><tr><td>Cash</td><td>200</td></tr><tr><td>P. Fellows</td><td>200</td></tr></table>	Cash	200	P. Fellows	200								
Cash	200																					
Bills Rec.	172.56																					
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Cash	200																					
P. Fellows	200																					
<p>(Entry for Bill J.)</p> <table><tr><td>Bills Rec.</td><td>172.56</td></tr><tr><td>Bills Rec.</td><td>172.56</td></tr></table>	Bills Rec.	172.56	Bills Rec.	172.56		<p>(Entry for B. J.)</p> <table><tr><td>Bills Rec.</td><td>172.56</td></tr><tr><td>P. Fellows</td><td>172.56</td></tr></table>	Bills Rec.	172.56	P. Fellows	172.56												
Bills Rec.	172.56																					
Bills Rec.	172.56																					
Bills Rec.	172.56																					
P. Fellows	172.56																					

123. Transactions for foregoing Cash Journal and Bill Journal.

Winnipeg, Man., September 3, 19— . A. McIntyre and J. MacDonald have this day entered into co-partnership.

A. McIntyre's Assets: Cash \$5000; note for \$365 against P. Fellows, dated May 11 at 4 months, bearing interest at 6 per annum. *Liabilities:* Note for \$100, in favour of R. Wilkins, dated August 15 at 60 days.

J. MacDonald's Assets: Cash by cheque on the Dominion Bank \$1000

7. Bought a set of books for the office with cheque, \$12. Petty Cash Sales, \$150.
10. Accepted B. King's draft on us, dated Sept. 6 at 30 days' sight, favour J. Mason, \$730.
11. Drew a draft on C. Dale in favour of ourselves, for \$78, dated Sept. 6 at 7 days.
13. Accepted F. Burton & Co.'s draft, favour of themselves, dated Aug. 29 at 30 days, for amount of Invoice of the 4th, \$1460.
Sent the Kent Hardware Co. on a/c, bank draft purchased with cheque, for amount of Invoice of the 12th, less 3% discount—\$300 less \$9; exchange $\frac{1}{8}\%$. (C.J. and Stub.)
14. P. Fellows' note in the opening entry falls due to-day—face \$365, interest due \$7.56; he pays \$200 cash on it, and gives a new note at 60 days for the balance, bearing interest at 7%. Petty Cash Sales, \$225.50.
16. Prepaid our acceptance of the 13th by remitting bank draft purchased with cheque; discount at 5 (83); exchange $\frac{1}{8}\%$.
17. Remitted C. Rogers & Co. cheque on a/c, \$200. A. McIntyre withdrew cash \$75.
The bank has credited us with the amount of C. Dale's acceptance left for collection on the 11th, less collection charges $\frac{1}{4}\%$; face \$78, coll. 20c.
18. Sold L. Laing for cash, 15 doz. Paint Brushes @ \$1.20; 4 bbls. Boiled Linseed Oil, 40 gals. ea. at 50c. (Put this through the Personal A/c.)
21. Petty Cash Sales, \$260.80.
23. Received from T. Marshall on a/c, his cheque on the Merchants Bank for \$25, dated Sept. 21.
26. J. MacDonald withdrew for private use, \$40 by cheque.
27. Paid gas bill with cheque, \$15.
28. Accepted draft drawn by the Kent Hardware Co. in favour of themselves for \$600, dated Sept. 25 at 30 days. Petty Cash Sales, \$275.60. Paid bank collection charges 5c.
30. Remitted B. King on a/c, bank draft \$800, purchased with cheque; exchange $\frac{1}{8}\%$.
Paid bookkeeper's salary, \$40 in cash. Paid rent of store for Sept., \$40 in cash.

SINGLE ENTRY BOOKKEEPING

124. Double Entry Versus Single Entry.

Double Entry deals with both Personal and Impersonal Accounts, whereas Single Entry deals with Personal Accounts only.

In Double Entry there are always one or more debits and one or more corresponding credits in each transaction ; and the sum of the debits is equal to the sum of the credits, so that the amount is entered twice, or *double*. In Single Entry there are not corresponding debits and credits in each transaction ; each entry concerns but a single account, and that a Personal Account, so that the amount is entered but once, or *single*. In Single Entry there can therefore be no Trial Balance to test the accuracy of the posting.

In a Double Entry Ledger there are Loss and Gain Accounts which give the details of the losses and gains. In a Single Entry Ledger there are no Loss and Gain Accounts, and therefore no details of the losses and gains. The only method of finding the Net Gain or the Net Loss in Single Entry, is by taking the difference between the Net Investment and the Net Capital at closing.

125. Books Used in Single Entry.

The books generally used in Single Entry are the Journal, the Cash Book, the Bill Book and the Ledger ; the Cash Book and the Bill Book are used as auxiliary books, though indeed they could be used as principal books from which payments of cash or notes on account might be posted to the Ledger. Many bookkeepers use an Order Book or a Counter Check Book in connection with the Journal, or even instead of the Journal.

126. Single Entry Journal Rule.

Make a person *debtor* when he *receives on account*, and *creditor* when he *gives on account*.

127. Transactions Entered by Single Entry.

There are three general kinds of transactions : (1) all on account, (2) part payment with cash or note, and balance on account, and (3) payment of the whole amount with cash or note, and nothing on account.

For (1). Make an entry in the Journal, debiting the person when he receives value on a/c, and crediting him when he gives value on a/c.

For (2). Make an entry in the Journal, debiting the person for what he receives on a c, and at the same time crediting him for what he gives on a c. Also make an entry in the Cash Book or Bill Book.

For (3). Make no entry in the Journal. Make an entry in the Cash Book or Bill Book. Payments of cash may be included with the Petty Cash Sales and entered in the Cash Book daily or weekly. In the case of a payment all in trade, such as butter and eggs brought in by the farmer, no entry is made at all.

128. Set X. Single Entry Illustration Set Grocery Business.

To the Pupil. *Study the illustrations, and then work this set out for yourself, in your work book.*

Special Features. *Showing the difference between Single Entry and Double Entry. Method of changing a set of books from Single Entry to Double Entry.*

Instructions :

- (a) *Books to be used Journal, Order Book or Counter Check Book, Cash Book, Bank Cheque Book (for Bank A/c), Bill Book, and Ledger.*
- (b) *Make entries in the Journal, Order Book or Counter Check Book, Cash Book, Bank Cheque Book, and Bill Book ; post to the Ledger from the Journal and Order Book ; you cannot take a Trial Balance (Why ?) ; take stock ; make a Statement of Assets and Liabilities and a statement showing Gain ; enter the Net Gain in the Proprietor's A/c, and close it ; make the Journal entry, from the Asset and Liability Statement, necessary to change the books to Double Entry.*

Directory :

<i>Berry & Co., Toronto, Ont.</i>		<i>Powers, L., Grimsby, Ont.</i>
<i>Chapman, R., Niagara Falls, Ont.</i>		<i>All Others, St. Catharines, Ont.</i>
<i>Dowd, H., Hamilton, Ont.</i>		

129. Transactions—Set X.—Illustration Set.

St. Catharines, November 1, 19 . . . W. J. Sykes commences the Grocery Business at # 173 St. Paul Street.

Assets : Cash \$1500.68 ; balance on deposit in the Scholastic Bank \$200 ; Mdse. \$2000 ; Note at 30 days, against R. Chapman, for \$300, dated Oct. 14, 19 . . . S. Porter owes on a c \$100.50

Liabilities : Note at one month, favour of L. Powers, for \$150, dated Oct. 10, 19 . . . balance due H. Dowd on a c, \$250.

2. Deposited in Bank, \$1400. (Stub.)
4. Sold R. Green, 121 St. Paul St., on a/c, 15# S. C. Tea @ 35c. ; 10# Rio Coffee @ 40c. ; 2 gals. Coal Oil @ 20c.
5. Sold S. Porter, 82 Queen's Ave., 100# Gran. Sugar @ 5c. ; 3 gals. G. Syrup @ 40c. ; 1 bag Flour \$2. Received in part payment 20 doz. Eggs @ 15c. ; 18# Butter @ 20c.
6. Bought from Berry & Co. for cash, Mdse. \$250, as per Invoice dated Nov. 2.
9. Cash Sales for the week, \$350.

11. Gave H. Dowd on a/c, a draft at 10 days' sight on S. Porter, for \$30.
12. R. Green paid cash on a/c, \$5.
Paid for Stamps and Stationery, \$2.50 cash.
13. Paid Bills Pay. No. 1 with cheque, \$150.
15. Bought from H. Dowd on a/c, Mdse. \$200, Invoice dated Nov. 12.
16. R. Chapman paid Bill Rec. 1 in cash, \$300.
Cash Sales for the week, \$275.10.
Deposited in Bank, cash \$950.
18. Sold M. Wilson, 43 Main St., for cash, 10# Tea @ 40c.; 20# Cheese @ 13c.; 15 doz. Eggs @ 18c.; 20# Sugar, \$1.

This will be entered in the Order Book, or the Counter Check Book only, and marked "Paid." It will not be entered in the Cash Book as a separate item; the money will be put in the till and included with the other Cash Sales on the 23rd.
19. Received from S. Porter on a/c, his note dated Nov. 19 at 30 days, for \$50, payable at the Imperial Bank.
20. Accepted H. Dowd's draft on us, for \$200, dated Nov. 18 at 30 days.
23. Cash Sales for the week, \$327.20.

This includes Petty Cash Sales, and Cash Sales from the Order Book or the Counter Check Book, such as that on the 18th. Only one example of a detailed Cash Sale (Nov. 18) has been given; the others have been omitted as unnecessary for illustration.
30. Paid Rent for November, \$30 in cash.
Cash Sales for the week, \$330.75.
Deposited in Bank, cash \$650.

INVENTORY taken Nov. 30, 19__

Asset Inventory:

<i>Merchandise</i> —1500# S. C. Tea @ .35c.	100 doz. Eggs @ 13c.
1500# Gran. Sugar @ $4\frac{1}{2}$ c.	500# Butter @ 18c.
1800# Yellow " @ $3\frac{1}{2}$ c.	400 gals. S. D. Syrup. @ 35c.
500# Rio Coffee @ 35c.	200 " Coal Oil . . . @ 7c.
300# Cheese @ 11c.	500 bush. Potatoes . . @ 50c.

130. Journal—Single Entry—Illustration Set.

The opening entry has been made by two different methods; the checked items, in the entries by the first method, are not to be posted, since they are impersonal accounts; there will be but one posting from each entry by the second method. The transaction on the 11th has also been entered in two ways. The Pupil will make a selection.

The money columns are for items and totals respectively, and the posting is done from the "Totals" column only, excepting in the opening entry by the first method. The totals, in each entry, may be placed opposite the person's name or opposite the last item; for example, on Nov. 4, the total "\$9.65" may be placed opposite "R. Green Dr.," or opposite "2 gals. Coal Oil @ 20c., 40c."

ST. CATHARINES, November 1, 1901.

Items

Totals.

W. J. Sikes commences the Grocery Business at # 17, St. Paul

Street

		Assets.				Liabilities.			
✓	Cash as per C. B.	-	-	-	-	1700	68		
✓	Mdse. " " Inventory	-	-	-	-	2000			
✓	Bills Rec. " B. B.	-	-	-	-	300			
✓	S. Porter	-	-	-	-	Dr.	200	50	4101 18
✓	Bills Pay. as per B. B.	-	-	-	-	150			
90	H. Dowd	-	-	-	-	Cr.	250		700
✓	W. J. Sikes (Capital A/c)	-	-	-	-	Cr.			4101 18
✓	W. J. Sikes (Capital A/c)	-	-	-	-	Cr.			4101 18
	Cash as per C. B.	-	-	-	-	1700	68		
	Mdse. " " Inventory	-	-	-	-	2000			
	Bills Rec. " B. B.	-	-	-	-	300			
	S. Porter	-	-	-	-	100	50		
	W. J. Sikes (Capital A/c)	-	-	-	-	Dr.			200
	Bills Pay. as per B. B.	-	-	-	-	150			
	H. Dowd	-	-	-	-	250			
	S. Porter	-	-	-	-	Dr.			100 50
	Bills Rec.	-	-	-	-				
	H. Dowd	-	-	-	-	Cr.			250
	Bills Rec.	-	-	-	-				
✓	R. Green	-	-	-	-	Dr.			9 65
	15# S.C. Tea	-	-	-	-	.35			
	10# Rio Coffee	-	-	-	-	.40			
	2 qts. Corn Oil	-	-	-	-	.10			
		-	-	-	-	5			
✓	S. Porter	-	-	-	-	Dr.			8 20
	10# Grain Sugar	-	-	-	-	.15			
	1 qts. G. Syrup	-	-	-	-	.10			
	1 bag Flour	-	-	-	-	.10			
93	1 doz. Eggs	-	-	-	-	.15			
	18# Butter	-	-	-	-	.20			
93	H. Dowd	-	-	-	-	Dr.			30
	Cash on hand at 30 days' sight on S. Porter	-	-	-	-				
✓	S. Porter	-	-	-	-	Cr.			30
	Cash on hand at 30 days' sight on S. Porter	-	-	-	-				
93	H. Dowd	-	-	-	-	Dr.			30
93	S. Porter	-	-	-	-	Cr.			30
	Cash on hand at 30 days' sight on S. Porter	-	-	-	-				
✓	R. Green	-	-	-	-	Cr.			
	Cash on a/c.	-	-	-	-				
✓	H. Dowd	-	-	-	-	Cr.			200
	Mdse. Invoice Nov. 12.	-	-	-	-				
✓	S. Porter	-	-	-	-	Cr.			50
	He paid Bills Rec. # 2 on a/c.	-	-	-	-				
✓	H. Dowd	-	-	-	-	Dr.			200
	Accepted Bills Pay. # 2 on a/c.	-	-	-	-				

- Remarks.*—1. The Pupil is advised to journalize the transactions by Double Entry first, and then to make separate entries by Single Entry for each personal account mentioned in the Double Entry. He will thus understand the Single Entry through the Double Entry, and will readily see that Single Entry is, in the main, Double Entry with the impersonal accounts dropped out.
2. The money columns may be used as Dr. and Cr. columns respectively; but when this is done, it necessitates the placing of the price and the figures of the *Items* column in the explanation space, which is neither convenient nor practical. The method of entering, shown on the previous page, is preferable.
3. The Journal is not much used in actual business. The Order Book and the Counter Check Book are used as posting media, leaving few entries for the Journal.

131. Order Book—Single Entry—Illustration Set.

The entries are made in the Order Book when the customer gives his order, and are usually made in lead pencil; from this book the goods are put up ready for delivery. In this set, we have transferred the *sales on account* from the Order Book to the Journal and posted them from the Journal to the Ledger. No entry is made for the *sales for cash* recorded in the Order Book, the money from these sales being put in the till and included in "Cash Sales for the Week." The Order Book may be used in Double Entry also.

Would it do to post the *sales on a/c*, directly from the Order Book to the Ledger? Would it be better to do so? Why? Compare the two methods of entering items on the 5th and 18th. The check mark (✓) indicates transfer to the Journal; if posting is done directly from the Order Book to the Ledger, this column is used for ledger pages.

ST. CATHARINES, November 4, 19—.

Items.

Totals.

✓ R. Green, 121 St. Paul St.													
15#	S. C. Tea	-	-	-	-	-	-	-	-	.35	✓	25	
10#	Rio Coffee	-	-	-	-	-	-	-	-	.20	✓		
2 gals.	Coal Oil	-	-	-	-	-	-	-	-	.20		20	✓
✓ S. Porter, 82 Queen's Avenue.													
100#	Gran. Sugar	-	-	-	-	-	-	-	-	.05			
3 gals.	G. Syrup	-	-	-	-	-	-	-	-	.40	1	20	
1 bag	Flour	-	-	-	-	-	-	-	-		2		8
Cr.													
20 doz.	Eggs	-	-	-	-	-	-	-	-	.17			
18#	Butter	-	-	-	-	-	-	-	-	.20			6
												60	✓
M. Wilson, 45 Main St.													
10#	Tea 10c., 20# Cheese 10c.	-	-	-	-	-	-	-	-			60	
15 doz.	Eggs 18c., 20# Sugar	-	-	-	-	-	-	-	-			70	
											10	30	

- Remarks.*—1. The total (\$10.30) of the entry on the 18th may be extended to the "Totals" column, when the Order Book is used as a Single Entry book. When it is used as a Double Entry book, as in Set XI., then the total of a cash sale should not be extended to the "Totals" column.

132. Counter Check Book—Single Entry—Illustration Set.

The Counter Check Book takes the place of the Order Book and is more generally used. Each slip is duplicated by means of a carbon sheet: the customer receives one copy, and the other is retained as a record of the transaction. The amounts of those slips marked "Paid" are included with the petty cash sales in the till; the amounts of those marked "Charge" are entered in the Journal, or posted directly from the Counter Check Book to the Ledger. Three leaves of the Counter Check Book are shown herewith. Which is the better method of record in the Order Book, or in the Counter Check Book?

ST. CATHARINES, *Nov. 4, 19—***Mr. R. Green,***121 St. Paul St.*BOUGHT OF **W. J. SYKES**

DEALER IN

Provisions, Groceries, and Fruits.

1	15# S.C. Tea	.35	5	25
2	10# Rio Coffee	.40	4	
3	2 gals. Coal Oil	.20		40
4	(Charge)		9	65

ST. CATHARINES, *Nov. 5, 19***Mr. S. Porter,***82 Queen's Ave.*BOUGHT OF **W. J. SYKES**

DEALER IN

Provisions, Groceries, and Fruits.

1	100# Gran. Sugar	.05	5	
2	3 gals. G. Syrup	.70	1	20
3	1 bag Flour		2	
			8	20
5	Cr.			
6	20 doz. Eggs	.15	3	
7	18# Butter	.20	3	60
8			6	60
9	(Charge)			

ST. CATHARINES, *Nov. 18, 19—***Mr. M. Wilson,***43 Main St.*BOUGHT OF **W. J. SYKES**

DEALER IN

Provisions, Groceries, and Fruits.

1	10# Tea	.40	4	
2	20# Cheese	.13	2	60
3	15 doz. Eggs	.18	2	70
4	20# Sugar		1	
5			10	30
6				
7				
8				
9	(Paid)			

133. Cash Book—Single Entry—Illustration Set.

The one-page Cash Book, illustrated below, is generally called the Single Entry Cash Book. But the two-page Cash Book is a better form, both for Single Entry and Double Entry, as there is less liability of making mistakes. The Pupil should use the following form in this set, for the sake of practice.

CASH.			Dr.	Cr.
19—				
Nov.	1	W. J. Sykes (Cap. A/c) Invested	1700	68
	6	Mdse. Bought from Berry & Co.		200
	9	Mdse. Sales for the week	350	
	12	R. Green On account	7	
	14	Expense Stamps and Stationery		12 50
	15	Bills Pay. No. 1		100
	16	Bills Rec.	300	
	16	Mdse. Sales for the week	215	19
	23	Mdse. " " " "	327	20
	30	Expense November Rent		9
	30	Mdse. Sales for the week	330	25
		* Balance		* 2876
			3288	3288
Dec.	1	Balance From November	2876	25

134. Bank Account.

The Bank Account will be kept in this set and the next one, as indicated on p. 82 in Sections 113 and 114. Only two stubs will be required in this set; balance in Bank \$3050. How much in the till?

135. Bill Book—Single Entry—Illustration Set.

The Bill Book for Single Entry does not differ from that used for Double Entry. The Pupil will use the forms shown in Section 85; and from his Bill Book will obtain the following balances—Bills Rec. unpaid \$50, Bills Pay. unpaid \$200.

136. Ledger—Single Entry—Illustration Set.

Dr.				W. J. SYKES (Capital A/c).				Cr.			
19—				19—							
Nov.				Nov.				18			
				S. PORTER.							
19				19							
Nov.				Nov.							
	1	90	100 50		5	90	6				
	5	90	8 20		11	90	30				
					19	90	50				
				H. DOWD.							
19—				19—							
Nov.				Nov.							
	11	90			1		250				
	20	90	200		15		200				

R. GREEN.

Dr		Dr
Nov	900	Nov

137. Financial Statement Single Entry Illustration Set.

This consists of two parts: (1) a Statement of Assets and Liabilities, and (2) a Statement showing the Net Gain or the Net Loss.

The Statement of Assets and Liabilities in Single Entry is made from four sources—the Ledger, the Cash Book, the Bill Book, and the Inventory Book, as follows:

- (1). Find all the balances of the personal accounts from the Ledger. Debtor balances are Assets; Creditor balances are Liabilities.
- (2). Find the balance of cash on hand from the Cash Book. This is an Asset.
- (3). Find the balance of other persons' notes and acceptances unpaid, from the Bills Receivable Book; this balance is an Asset. Find the balance of our notes and acceptances unpaid, from the Bills Payable Book; this balance is a Liability.
- (4). Find the balance of Mdse. on hand, from the Inventory. This balance is an Asset.

STATEMENT OF ASSETS AND LIABILITIES.

Assets.									
S. Porter	-	Balance due by him	-	-	-	-	-	10	
R. Green	-	" " " "	-	-	-	-	-	65	
Cash	"	as per Cash Book	-	-	-	-	-	2856	3
Bills Receivable	"	" " " " Bill Book	-	-	-	-	-	50	
Merchandise	"	" " " " Inventory	-	-	-	-	-	1120	50
								4253	8
Liabilities.									
H. David	-	Balance due to him	-	-	-	-	-	420	
Bills Payable	"	as per Bill Book	-	-	-	-	-	200	420
		W. J. Spikes' Net Capital	-	-	-	-	-	480	18

When there are a large number of personal accounts from the Ledger, they are entered as one item under the title "Personal Accounts Receivable" in the Assets, or "Personal Accounts Payable" in the Liabilities.

The Statement showing the Net Gain is made from two sources—the Proprietor's Capital A/c, and the Asset and Liability Statement, as follows:

- (1). Find the Net Capital from the Asset and Liability Statement.
- (2). Find the Net Investment from the Proprietor's Capital A/c.
- (3). Find the difference between the Net Capital and the Net Investment. This difference is Net Gain if the Net Capital be the larger, and Net Loss if it be the smaller.

STATEMENT SHOWING GAIN.

W. J. Spikes' Net Capital		5833	48
" Investment		601	18
" Gain		132	30

138. Closing the Ledger—Single Entry—Illustration Set.

This consists in closing the Proprietor's A/c only. The other Personal A/cs are closed, only when settled or when carried forward to a new page.

1. Determine the Net Gain from the Financial Statement.
2. Enter the Net Gain on the Cr. side of the Proprietor's A/c.
3. Close the Proprietor's A/c and bring down the Net Capital, as follows:

DR.	W. J. SYKES (Capital A/c).	CR.
18—	19—	
Nov. 1 Net Capital	Nov. 1 Net Gain	37.01 18
		30
	Dec. 1 Net Capital	38.33 48

139. Changing from Single Entry to Double Entry.

A Single Entry Ledger contains only Personal A/cs; a Double Entry Ledger contains both Personal A/cs and Impersonal A/cs. To change from Single Entry to Double Entry, it is necessary, therefore, to open Impersonal A/cs in the Ledger, in addition to the Personal A/cs already there.

- (1). Make a Single Entry Financial Statement and close the Proprietor's A/c.
- (2). Make a journal entry from the Single Entry Asset and Liability Statement: 1st Method—make a journal entry containing only the Impersonal A/cs. 2nd Method—make a journal entry containing both the Personal A/cs and the Impersonal A/cs; check the Personal A/cs and post only the Impersonal A/cs.
- (3). Post this opening journal entry and take a trial balance. From the 2nd Method, it will be seen that all the Single Entry Ledger lacks of being in balance, is the Impersonal A/cs.
- (4). Proceed by Double Entry, in the same way as you would after making the opening journal entry from the Assets and Liabilities in a Double Entry Set. Bring down the balance in the Cash Book, and continue the Bill Book.

140. Journal Entry to Change from S. E. to D. E.—Illustration Set.

ST. CATHARINES, December 2, 1900.

W. J. Sykes has this day changed his books from Single Entry to Double Entry, and continues the Grocery Business at # 173 St. Paul St.

1st Method

94	Cash Dr.	-	-	-	-	-	-	-	-	-	-	28.76	
94	Bills Rec.	-	-	-	-	-	-	-	-	-	-	50	
94	Mdse.	-	-	-	-	-	-	-	-	-	-	1320	50
94	Bills Pay.	-	-	-	-	-	-	-	-	-	-		200

Impersonal A/cs as per Single Entry Statement.

2nd Method

✓	S. Porter, Dr.	-	-	-	-	-	-	-	-	-	-	10	
✓	R. Green	-	-	-	-	-	-	-	-	-	-	65	
✓	Cash	-	-	-	-	-	-	-	-	-	-	28.76	23
✓	Bills Rec.	-	-	-	-	-	-	-	-	-	-	50	
✓	Mdse.	-	-	-	-	-	-	-	-	-	-	1320	
94	Bills Pay.	-	-	-	-	-	-	-	-	-	-		200
✓	H. David	-	-	-	-	-	-	-	-	-	-	220	
✓	W. J. Sykes (Capital A/c)	-	-	-	-	-	-	-	-	-	-	38.33	48

For Assets and Liabilities as per Single Entry Statement.

141. Changing from S. E. to D. E. Old Ledger or New Ledger.

When the *same* Ledger is to be used for the Double Entry as was used for the Single Entry, either of the foregoing methods may be employed. But when a *new* Ledger is to be used, then the second method must be employed, and without the checking; both Personal and Impersonal A/c's must be posted.

Set XI. Single Entry and Double Entry.

Special Features.—*Changing from Single Entry to Double Entry. Introduction of Retail Statements of Account, and Wholesale Monthly Statements.*

Instructions for Part I.—Single Entry.

(a) *Books to be used*—*Business Papers, Journal, Order Book or Counter Check Book, Cash Book, Bank Cheque Book, Bill Book, and Ledger.*

(b) *Business Papers:*

1 *Inward.*—*Note on Dec. 10. Draft on Dec. 14.*

2 *Outward.*—*Drafts on Dec. 2, 9. Cheques on Dec. 4, 10, 11, 13, 14. Bank Draft on Dec. 4. Receipts on Dec. 5, 6, 13.*

(c) *Make out business papers; make entries in the Journal, Order Book or Counter Check Book, Cash Book, Bank Cheque Book, and Bill Book; post to Ledger from the Journal and Order Book; take stock; make Financial Statements; close the Proprietor's A/c.*

NOTE. Pages of the Journal may be used for the Order Book. If the Pupil wishes to use the Counter Check Book, he may use any forms provided for this purpose, or he may fold sheets of his work book, and rule like the Counter Checks in Section 132.

Directory:

Diamond, A., Norwood, Ont.
Dunster, W., 40 Stewart St.
Duncan, R., Hamilton, Ont.
Grant, R., 24 George St.
Grafton, B. & Co., Toronto, Ont.
Kennedy, C., Lakefield, Ont.
Lamont, J., 27 Hunter St.
Lowry, E., Ashburnham, Ont.

Morrow, M., 82 Dublin St.
Pratt, F., Omemee, Ont.
Pringle, F. & Son, Montreal, Que.
Prang, Mrs. S., 30 Brock St.
Score, R. & Son, Kingston, Ont.
Smale, G. & Co., Montreal, Que.
All Others, Peterboro, Ont.

Ledger Lines for Parts I. and II.:

¹ A. Grierson (Cap. A/c) H+8	E. Lowry H+4	Merchandise H+7
A. Diamond H+3	Bills Payable H+3	Cash H+4
M. Morrow H+4	Bills Receivable H+3	Furniture and Fixtures . . H+4
G. Smale & Co H+3	F. Pratt H+3	⁵ F. Pringle & Son H+2
² B. Grafton & Co H+6	R. Purris H+2	Merchandise Discount . . . H+2
Mrs. S. Prang H+4	Pupil (Cap. A/c) H+4	Expense H+5
R. Grant H+4	¹ C. Kennedy H+3	Loss and Gain H+5

Transactions—Set XI.—Part I.

Peterboro, December 2, 19—. A. Grierson buys a General Store Business, formerly conducted by W. B. Short at # 76 George Street. He receives all the assets, and assumes all the liabilities as follows :

Assets : Mdse. \$2500 ; Furniture and Fixtures \$325 ; A. Diamond owes on a/c, \$75.60 ; M. Morrow owes on a/c, \$28.90.

Liabilities : Balance due G. Smale & Co. on a/c, \$125 ; draft at 30 days, favour of R. Score & Son for \$150, dated Nov. 10 and accepted Nov. 12.

Besides the above Mr. Grierson invests Cash \$1500.

3. Engaged Miss D. Markham as clerk at \$30 per month, and Pupil as clerk and bookkeeper at \$40 per month. The Store is rented from S. Gallow at \$60 per month.

Deposited in the Scholastic Bank, cash \$1400.

4. Sold R. Grant on a/c, 1 White Shirt, \$1.25 ; $\frac{1}{2}$ doz. Linen Collars @ \$1.50 prs. Woollen Socks @ 30c. ; 1 pr. Shoes, \$3.50.

Paid G. Smale & Co. on a/c, with bank draft \$100, purchased with cheque ; exchange 25c.

Sold Mrs. S. Prang on a/c, 30 yds. Print @ 12c. ; 50 yds. Sheeting @ 14c. ; 4 prs. Ladies' Hose @ 25c. ; 10# Raisins @ 8c.

5. Bought from B. Grafton & Co. on a/c, Mdse. \$450, Invoice dated Dec. 3 at 30 days.

A. Diamond paid on a/c, cash \$50.60.

Sold W. Dunster, 1 doz. Linen Hdkfs., \$1.50 ; 3 Neckties @ 40c. ; 3 prs. Cuffs, 50c. Paid in cash.

This is to be entered in the Order Book (or Counter Check Book), but is not to be posted, nor entered separately in the Cash Book, as it and other transactions like it are included in the "Cash Sales" at the end of each week.

6. Bought from G. Smale & Co. on a/c, Mdse. \$100, Invoice dated Dec. 4 at 10 days.

Sold E. Lowry on a/c, 10 yds. Print @ 13c. ; 2 yds. Blk. Lustre @ 20c. ; 50# Sugar @ $4\frac{1}{2}$ c. ; 2# Tea at 40c.

Received from Mrs. S. Prang on a/c, cash \$8.

7. Paid for Stamps and Stationery, cash \$2.50.

Sold M. Morrow, 1 bbl. Sugar, 240# @ 4c. ; 10 gals. Coal Oil @ 16c. ; 25# Tea @ 35c.

He paid \$10 cash on a/c. (O.B. and C.B.)

This \$10 cash is *not* included in the "Cash Sales." The weekly "Cash Sales" are made up of Petty Sales for which no bills are given, and of such sales as the one to Wm. Dunster on the 5th ; only one of the latter class has been given in detail.

Cash Sales for the week, \$237.80.

Deposited in the Bank, cash \$400.

9. Accepted G. Smale & Co.'s draft on us for \$125, dated Dec. 6 at 7 days.

Sold Mrs. S. Prang, 20 yds. Blk. Silk @ \$1.25 ; 5 yds. Lining @ 20c. ; 12# Butter at 18c. ; 10 doz. Eggs @ 20c. She gave cash \$15 in part payment.

The Proprietor took for private use, 30# Sugar @ 4c. ; 5# Tea @ 40c.

10. Received from M. Morrow on a/c, his note for \$35, dated Dec. 7 at 10 days. (J. and B.B.)

Bought from R. Duncan for cheque, Mdse. \$414, Invoice dated Dec. 8.

11. Remitted B. Grafton & Co. on a/c, cheque for \$125.

Sold R. Grant on a/c, 10 gals. Cider Vinegar @ 30c. ; 1 bbl. Salt, \$1.25 ; 20# Wire Nails @ 4c. ; 5# Putty @ 5c.

12. Sold E. Lowry, $\frac{1}{2}$ # Blk. Pepper @ 30c. ; 3 Brooms @ 25c. ; 1 bbl. Sugar, 240# @ $3\frac{1}{2}$ c.

Received in part payment 15 doz. Eggs @ 15c. ; 30# Butter @ 16c.

143. Monthly Statements—Wholesale.

These are sent out monthly; they show the amounts of the purchases and payments on a c during the month, and the balance due. Usually a draft is drawn on the customer for the balance; this draft is placed in the bank for collection, or for discount if the firm need ready money; the bank obtains the acceptance.

PETERBORO, *January* 19

Mr. F. Pratt

Overdue, Out.

In Account With **GRIERSON & PUPIL,**
WHOLESALE AND RETAIL GROCERS.

Dec.	19	Mdse. out	-	-	-	-	-	28	00		
	27	" 10 days	-	-	-	-	-	26	50		90
							—Cr.—				
	19	Cash	-	-	-	-	-	10			
	26	Goods short	-	-	-	-	-	2	40	12	40
										22	50
										Balance due	

Instructions for Part II.—Double Entry.

(a) *Books to be used*—Business Papers, Journal, Order Book or Counter Check Book, Purchase Journal, Cash Journal, Bank Cheque Book, Bill Book, and Ledger.

(b) *Business Papers* :

1. *Inward.*—Receipts on Dec. 18 (from W. Baxter), Dec. 31 (for Rent), Bank Draft on Dec. 27, Draft on Dec. 30.

2. *Outward.*—Draft on Dec. 24; Cheques on Dec. 16, 17, 20, 30, 31; Bank Draft on Dec. 17; Invoices for C. Kennedy on Dec. 18 and 27, and for F. Pratt on Dec. 19 and 24; Credit Invoice on Dec. 26; Statements of Account for M. Morrow and Mrs. S. Prang; Monthly Statements for F. Pratt and C. Kennedy.

(c) *Make out business papers; make entries in Journal, Order Book, Purchase Journal, Cash Journal, Bank Cheque Book, and Bill Book; post to Ledger from Journal, Order Book, Purchase Journal, and Cash Journal; take a Trial Balance; take stock; make Financial Statements; close the Ledger.*

Keep the Cash Journal with special columns, as in Section 120.

Keep the Order Book like the Sales Journal in Section 108. Put partial payments, such as C. Pratt's on Dec. 19, through the Cash Journal. J. Lamont's entry on Dec. 18 will be treated like M. Wilson's entry in the example in Section 131.

Transactions—Set XI.—Part II.

Peterboro, December 16, 19—. A. Grierson admits Pupil as a partner under the firm name of Grierson & Pupil. They decide to continue the business as a Wholesale and Retail Grocery and Provision Business.

Mr. Grierson is to increase his Net Capital to \$5000; he is to receive $\frac{1}{5}$ of the profits and may withdraw for private use not more than \$60 per month. Pupil is to invest \$1000 cash; he is to receive $\frac{1}{5}$ of the profits and may withdraw not more than \$40 per month.

The books are to be changed to Double Entry.

Miss D. Markham's salary is to be increased to \$35 per month.

16. A. Grierson invests cash sufficient to make his Net Capital up to \$5000.
 Pupil invests cash, \$1000.
 The firm sells to R. Purvis all the goods, except the stock of Groceries and Provisions, for cash, \$1563.
 Put this through the Personal A/c.
 Paid Pupil's salary due to date, \$20, in cash.
 Paid B. P. #2 with cheque, \$125. Deposited in Bank, cash \$2800.
17. Bought from F. Pringle & Son, Mdse. \$1475, Invoice dated Dec. 16, $\frac{4}{10}$ $\frac{n}{30}$.
 10 means 1% off if paid inside of 10 days; n/30 means net cash in 30 days, that is, if not paid in 30 days interest will be charged.
 Paid B. Grafton & Co. in full of a/c, with bank draft \$325, purchased with cheque; exchange 1/2%.
 Sold Mrs. S. Prang on a/c, 3 bars Soap @ 18c.; 5# Currants @ 8c.; 3 bags Potatoes @ 90c.; 1 bbl. Russet Apples, \$3.50.
18. Paid W. Baxter for painting store, \$20 cash.
 Bought from B. Grafton & Co. on a/c, Mdse. \$1630, Invoice dated Dec. 16, $\frac{3}{15}$ $\frac{n}{30}$.
 Sold C. Kennedy on a/c at 10 days, 1 bbl. Gran. Sugar, 220 - 18 = 202# @ $3\frac{3}{4}$ c.; 1 chest S. C. Tea, 90 - 8 = 82# @ 35c.; 1 bbl. S. D. Syrup, 35 gals. @ 42c.; 3 bxs. Raisins, 25# ea. @ 7c.
 18# and 8# are the tare, the respective weights of the empty barrel and the empty chest.
 Sold J. Lamont, 2# Mustard @ 25c.; 5 doz. Eggs @ 20c.; 1 box Soda Biscuits, 25c.; 3 cans Corn @ 12c. Paid in cash.
 Included in "Cash Sales" on the 21st.
19. Sold F. Pratt, 1 bbl. XX White Wine Vinegar, 40 gals. @ 17c.; 5 cases Corn, 10 doz. @ \$1.15; 2 doz. XXX Brooms @ \$2.40; 1 keg Mustard Pickles, 15 gals. at 35c. Received in part payment, cash \$10.
 Put this through the Personal A/c—the sale through the Order Book, the payment through the Cash Journal.
 Sold E. Lowry on a/c, 1 Smoked Ham, 10# @ 15c.; 5# Coffee @ 25c.; 10 gals. Coal Oil @ 16c.; 2 bbls. Salt @ \$1.15.
20. Sent F. Pringle & Son on a/c, cheque for amount of Invoice received on the 17th, less discount \$59.
 M. Morrow paid his note, B. R. 1, in cash \$35.
 Bought from B. Grafton & Co. on a/c, Mdse. \$800, Invoice dated Dec. 18, $\frac{3}{10}$ $\frac{n}{30}$.
21. Sold M. Morrow on a/c, 1 doz. cans Vegetables assorted, \$1.30; 2 qts. Oysters @ 30c.; 10# Layer Raisins @ 15c.; 2 bags Potatoes @ 90c.
 Cash Sales for the week, \$780.50. Deposited in the Bank, cash \$950.
23. Bought a delivery Horse and Waggon from E. Sparling for \$180 cash.
 Sold R. Grant on a/c, 5# Tapioca @ 7c.; 1 bag Flour, \$2.50; 10# Cheese @ 12c.
24. Sold F. Pratt on a/c at 10 days, 5 cases Tomatoes, 2 doz. ea., @ \$1.20; 1 bbl. Y. Sugar, 250 - 20 = 230# @ $3\frac{1}{2}$ c.; 1 sack P. Rice, 200# @ $3\frac{1}{4}$ c.
 Accepted B. Grafton & Co.'s draft on us, dated Dec. 18 at 10 days, for \$2430 to close a/c.
26. F. Pratt writes us that the goods, shipped him on the 24th, were short 1 case Tomatoes, 2 doz. @ \$1.20. (J.)
 Bought from E. Lowry on a/c, 2 crates Eggs, 18 doz. ea., @ 15c.; 1 tub. Butter, 50# @ 16c.
 A. Grierson took for private use, 50# Gran. Sugar @ $3\frac{1}{2}$ c.; 25# Butter @ 16c.; 10# Tea @ 35c.

27. A. Diamond paid his acceptance, B. R. 2, with draft on the Dominion Bank, \$25.
 Sold C. Kennedy on a/c at 10 days, 1 tin Gr. Ginger, 10# @ 30c.; $\frac{1}{2}$ chest O. Tea, 50 - 6
 - 44# @ 30c.; 1 sack Almond Nuts, 100# @ 11c.
28. Cash Sales for the week, \$830.25.
 Deposited in the Bank, cash \$820.
30. Paid freight bill for two weeks, \$15.50, with cheque.
 Rendered C. Kennedy a monthly statement, and drew on him at 5 days, for bills of 18th
 and 27th.
31. Paid acceptance favour of B. Grafton & Co. with cheque, \$2430.
 A. Grierson withdrew for private use \$50.75 cash, and Pupil withdrew \$40.
 Paid Rent for December, \$60 cash.
 Paid Miss Markham's salary, \$32.50 cash.
 Cash Sales for two days, \$125.10.

INVENTORIES taken Dec. 31, 19—.

Asset Inventories:

<i>Merchandise on hand.</i>	\$4175.74
<i>Furniture and Fixtures on hand.</i>	300.00
<i>Expense Horse and Wagon.</i>	180.00

Results:

<i>A. Grierson's Net Gain,</i> \$440.40; <i>Net Capital,</i> \$5380.40.
<i>Pupil's</i> " " 110.10; " " 1070.10.

CALENDARS

THE Department of Education requires each set and exercise to be dated according to the calendar of the year in which it is being worked out in the class. For example, if Set II. is being done in the year 1910, the dates in the text-book should be changed from January 1912 to January 1910 in such a way as to record all transactions on business days. Sundays and statutory holidays are indicated in darker type in each of the calendars.

NOTE. The following statutory holidays are not printed in darker type in the calendars, as they are not observed in every province and do not affect any of the sets or exercises: The Epiphany on Jan. 6; Arbor Day on the second Friday in May; All Saints' Day on Nov. 1; Conception Day on Dec. 8; Ash Wednesday, 1909-16, on Feb. 24, Feb. 9, Mar. 1, Feb. 21, Feb. 5, Feb. 25, Feb. 17, Mar. 8; Ascension Day, 1909-16, on May 20, May 5, May 25, May 16, May 1, May 21, May 13, June 1. Thanksgiving Day is proclaimed annually. See "Statutory Holidays" on page 5.

CALENDAR FOR 1909.

1909	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.
JAN.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
FEB.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
MAR.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
APRIL					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
MAY							1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
JUNE			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
JULY					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
AUG.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
SEPT.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
OCT.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
NOV.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
DEC.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20

CALENDAR FOR 1910.

1910	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.
JAN.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
FEB.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
MAR.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
APRIL					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
MAY	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
JUNE			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
JULY					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
AUG.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
SEPT.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
OCT.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
NOV.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
DEC.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20

CALENDAR FOR 1914.

1914	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.	Mon.		
JAN.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
FEB.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28				
MAR.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
APRIL.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
MAY.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
JUNE.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
JULY.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
AUG.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
SEPT.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
OCT.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
NOV.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
DEC.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

CALENDAR FOR 1915.

1915	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.
JAN.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
FEB.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
MAR.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
APRIL					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
MAY.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
JUNE.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
JULY.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
AUG.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
SEPT.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
OCT.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
NOV.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
DEC.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21

CALENDAR FOR 1916.

1916	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.							
JAN.							1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
FEB.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29						
MAR.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30				
APRIL.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
MAY.		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31					
JUNE.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
JULY.						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
AUG.			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31				
SEPT.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
OCT.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31						
NOV.				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30				
DEC.					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31		

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